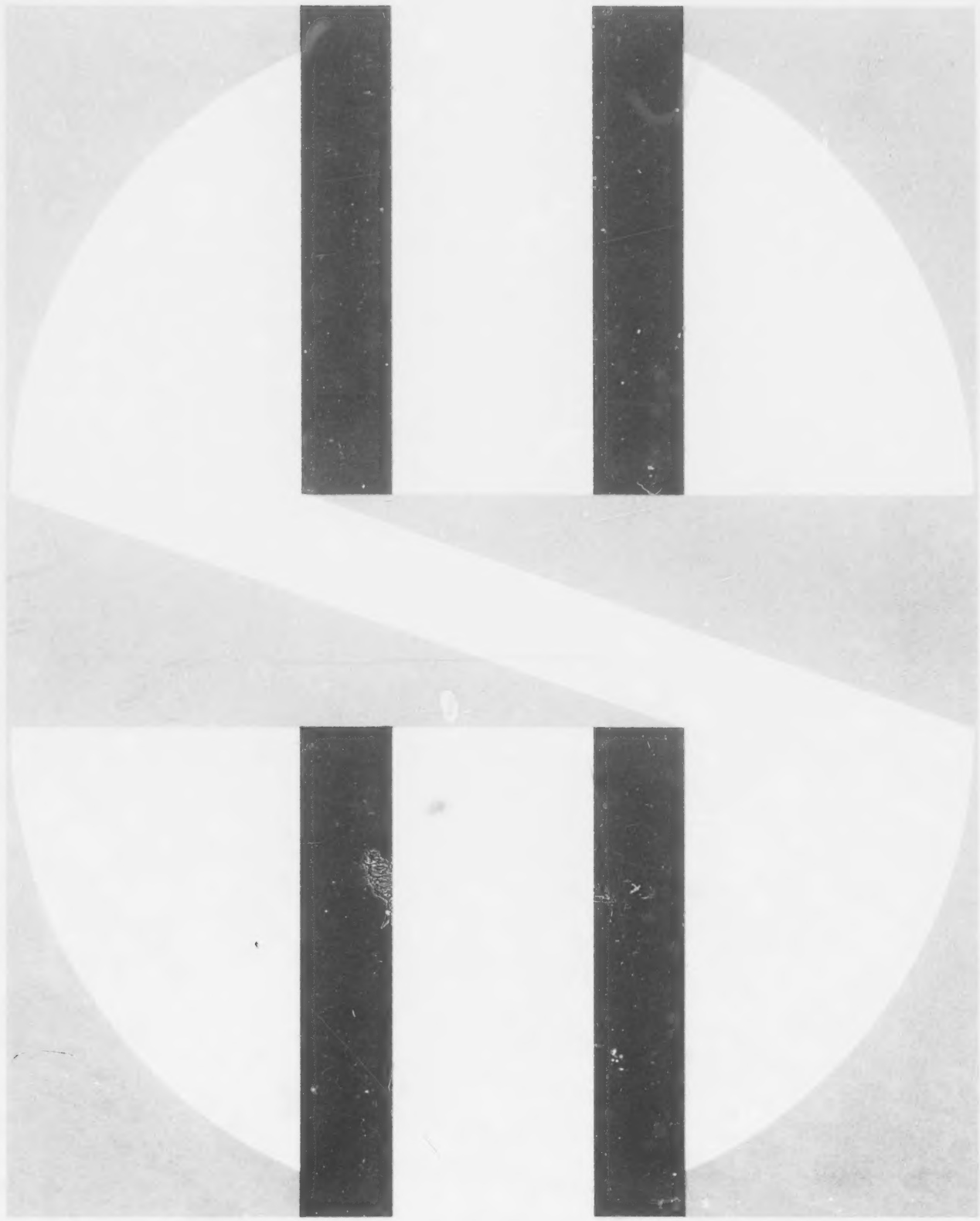
C8115-1



Copyright © 1984 by John F. Roscoe.

John F. Roscoe
DOLLARS PER DAY SURVEY
1765 Park Road
Benicia, California 94510
(707) 745-6691

CONTENTS

Introduction 1
Chains Included in the Survey 2
Survey Award 3
Explanation of the Survey 4
Survey Rankings 1984 6–7

SURVEY RESULTS

Shop & Go 10
National Convenience Stores 14
Southland 22
Circle K 33
Lil' Champ 39
Mini Mart 44
Little General 48
Casey's General Stores 51
Sunshine Jr. 56
Munford 61
Conna Corporation 66
Dairy Mart Convenience Stores 70
7-11 Japan Company 77
Other Companies 82
Survey Averages 90

DOLLARS PER DAY SCHEDULES AND OTHER REPORTS

Profits 93
The Effect of Inflation on Sales 96
Profit Goal 107
Changes in the Number of Stores 112
Corporate Financial Information 117
The Effect of Southland on the Survey 126
Electric Utility Costs 126
Historical Summaries, First Through Thirteenth Surveys 134
Gasoline in Small Food Stores 141

ARTICLES AND COMMENTS

1984 Editorial 152
1982 Editorial Comments 156
1981 Editorial Comments 159
Pertinent Excerpts from Earlier Surveys 165
Channels of Trade 173
It Ain't the Economy 174
Loose Change 175
About the Author 177
What the 25 Largest Oil Companies Have to Say About Gasoline Marketing 178
Order Form 179

THIRTEENTH ANNUAL DOLLARS PER DAY SURVEY OF THE SMALL FOOD STORE INDUSTRY

This is the Thirteenth Annual Dollars per Day Survey of the small food store industry. This survey has been published each year since 1971. This year's survey includes the operating results of twelve publicly held convenience store chains.

The chains included in the report are the largest chains in this business. To be included in the report, companies must meet the following qualifications:

1. Must be publicly held.
2. Store operating figures must be adequately separated in the annual report from other lines of business in which the company may be engaged, so that reasonable deductions can be made concerning store operating results.

We believe this report includes all of the chains in this type of business that meet the above qualifications. If you know of others, please contact us so we can include them in next year's report.

The numerical data from each of the last twelve surveys is also presented. By reviewing the previous surveys in the back of the report, you can develop an understanding of the trends in the industry over the past twelve years. And, by reviewing the data presented on each company you can track their individual performance over this same period.

Company Changes This Year:
Two chains have been added to the Survey this year. They are Casey's General Stores, Inc. headquartered in Des Moines, Iowa, and Dairy Mart Convenience Stores, Inc. headquartered in Enfield, Connecticut. The stores operated by The Dillon Companies have been dropped from the survey since Dillon was acquired by Kroger and the operating figures are no longer presented separate from the other operations of that company.

Explanation of the Survey
The survey presents the financial results of the leading publicly-held small food store chains on a dollars per store per day basis. The dollars per day method reduces the operating figures of the chains to a common denominator. The denominator is store operating days. Each chain is analyzed on this basis and then ranked in comparison to the other chains. All of the data used is easily verifiable and is derived from either the chain's annual report to the stockholders, the proxy statement, or the 10K that is filed with the Securities and Exchange Commission. All of these reports are readily available. A more complete explanation of the dollars per day method can be found on page 4.

Store Sales and Gasoline Sales
Store sales are considered to be merchandise sales made from the store. These are the sales of the traditional products sold in a convenience store. Gasoline sales are sales of petroleum products typically made from remote controlled dispensing systems that are activated at the checkstand inside the store. Almost all gasoline sales are on a self-service basis.

Store sales for all of the chains are comparable. We have been successful in separating store sales and gasoline sales and have excluded gasoline sales from our sales computations and comparisons. Gasoline sales and gallonage figures are shown in separate schedules. We have the best figure to date on both the dollar sales of gasoline and the gallonage figures for C-type gasoline outlets.

Dollars Profit per Store per Day
$DPD will be used to signify dollars per store per day in this report.

CHAINS INCLUDED IN THE SURVEY

Shop & Go, National Convenience, Southland, Circle K, Lil' Champ, Mini Mart, Little General, Casey's General Stores, Sunshine Jr., Munford, Dairy Mart, and Conna are included in the survey. Together, these chains operate 12,796 stores. *Progressive Grocer* in its 1982 survey of the United States food industry estimated there were 38,700 convenience food stores in the country. If this is so, these twelve chains operate 33% of the stores in the industry. *Progressive Grocer* also estimates there are 162,000 food stores in the United States. Using their estimate, the chains in this survey operate 8% of the food stores in the country.

The survey also presents information on stores operated by other publicly held companies. These companies' operating figures cannot be adequately separated so as to present them on a comparable dollars per day basis. This section starts on page 82. There is also a very good analysis by Seven-Eleven of Japan. Their analysis begins on page 77.

THIRTEENTH ANNUAL DOLLARS PER DAY SURVEY AWARD
Shop & Go Inc., Florida

For the third year in a row, Shop & Go Inc., which operates 415 stores in Florida and Georgia, is the pre-tax profit winner of the survey. Shop & Go earned $78.74 per store per day to outpace the second place finisher, National Convenience of Houston, Texas.

Shop & Go has won the survey five times in thirteen years. In three other years, 1975, 1979, and 1980 they earned second place. Shop & Go is managed by Bob and Lorena Jaeb. Their son John is vice president of the company. We again congratulate the management and employees of Shop & Go.

The Dollars Per Day Profit Tray is Presented to Shop & Go

Bob and Lorena Jaeb are five time profit winners of the Small Food Store Industries Dollars Per Day Award. They are shown here being presented with the annual award by John F. Roscoe (on the left), publisher of the *Dollars Per Day Survey*.

EXPLANATION OF THE SURVEY

The *Dollars Per Day Survey* reduces operating figures to a common denominator. This denominator is operating store days. After the number of operating store days is computed, it is then divided into other operating figures such as sales, expenses, and pretax and after tax profit. Companies are ranked in the survey to show relative performance between the chains.

How Are Operating Store Days Figured?
Since the actual dates of new store openings are not known, all stores opened within the operating year were computed at the ½ rate.
Beginning with the twelfth survey, store closings were also computed on a ½-year basis.

What Do You Do Next?
Store days are then divided into other operating figures shown in the annual reports to reduce these figures to a dollars per day basis. Any operating figure can be divided by store days to show its average dollars per store per day.

What Does This Show?
When compared by company, dollars per day show the relative dollar value of the items compared. In this survey, sales, pretax and after tax profits are computed and then compared. The growth rates of these indices are also shown and compared.

What Is the Primary Purpose of the Survey?
To show and compare pretax dollars of profit of the leading chains in the survey. To create an awareness of the profitability of the convenience store industry and to point out areas where operators can increase the profitability of their chains.

Where Are the Figures Obtained

All data is obtained from the audited annual reports of the companies and/or 10K reports filed with the Securities and Exchange Commission. The survey uses the figures given by the chains. It does not make allowances for variations in accounting practices between the chains. Where assumptions have been made, they are clearly indicated in the computation sheet for the individual company.

Compute Your Own Dollars per Day
You can compute dollars per day for your company and compare them with the leading companies in the industry.

You will need these figures:

Number of stores you operated at the beginning of your last year,

Number of stores you added during the year,

Total sales,

Total pretax profit,

Total after tax profit.

Here's How to Compute Your Dollars per Day:

1. Compute store days as follows:

   Store days of stores open all year (365 x stores open at beginning of the year = A).

   Store days of new stores figured for ½ year only (182 x number of new stores opened during year = B)

   Total Operating Store Days = A + B.

2. Divide total store days into sales to get sales per store per day.

3. Divide total store days into pretax profit to get pretax profit per store per day.

4. Divide total store days into after tax profit to get after tax profit per store per day.

5. Rank your results along with the chains in the survey.

6. Consider what steps you should take to increase your dollars of pretax profit per store per day.

You may also want to use this method to compare other operating figures for your company. These statistics will be useful in comparing the current year with previous years and for comparing one store or division against another. The method reduces large, unwieldly figures to a common basis that can be easily compared with other figures. If you have any questions about this method, please contact the *Dollars per Day Survey* for assistance.

Additional Information on the Chains from Their Annual Reports

We have included some additional information from the annual reports for the twelve chains in the survey. In the following pages are copies of each president's letter to the stockholders and management's discussion and analysis of operations and financial conditions for the year.

THE SMALL FOOD STORE BUSINESS RANKED BY DOLLARS OF PROFIT PER STORE PER DAY

Dollars per Day Profit Ranking	Company	Year Ended	Number of Stores	Stores Days	Small Food Stores Sales	Average Sales per Store per Day
1	Shop & Go	3/31/83	415	149,240	$133,174,000	$892
2	National Convenience	6/30/83	1,012	352,910	428,600,000	1,124
3	Southland	12/31/82	7,165	2,585,396	3,960,000,000	1,532
4	Circle K	4/30/83	1,221	443,835	460,500,000	1,038
5	Lil' Champ	4/30/83	170	60,424	50,005,000	828
6	Mini Mart	8/31/82	110	40,150	28,313,593	705
7	Little General	12/15/83	431	156,884	173,691,000	1,107
8	Casey's General Store	4/30/83	377	130,651*	44,356,273*	789
9	Sunshine Jr.	12/30/82	358	129,584	73,801,966	570
10	Munford	12/30/82	959	354,172	293,602,000	829
11	Dairy Mart	1/31/83	143	51,646	52,102,000	1,009
12	Conna	5/29/83	435	158,158	245,897,000	1,554
	Totals		12,796	4,613,050	$5,944,042,832	$1,310

Sales shown on this schedule are for food stores only. All gasoline sales have been excluded.

Gasoline sales for the year were $2,720,772,002.

Total sales for both food and gasoline were $8,664,814,834.

*Casey's store sales for company operated stores only.

Sales Increase per Store per Day	Percent of Sales Increase in $DPD Sales	Pretax Profit	Inventory Valuation Method	After Tax Profit	After Tax Profit as a Percent of Sales	Profit Per Store per Day Pretax	Profit per Store per day After Tax
$-21	-2%	$1,175,069	LIFO	$6,420,742	4.82%	$78.74	43.02
-84	-6%	229,951,000	FIFO	14,226,000	3.32%	65.03	40.31
+138	+10%	153,431,400	LIFO	87,825,945	2.22%	59.34	33.97
+35	+3%	24,158,000	LIFO	13,286,900	2.88%	54.43	33.97
+92	+13%	3,123,000	LIFO	1,779,000	3.56%	51.68	29.44
-22	-3%	1,301,500	LIFO	694,200	2.45%	32.41	17.29
+85	+8%	4,050,000	FIFO	2,025,000	1.16%	25.81	12.90
+53	+7%	2,350,785	LIFO	1,415,640	1.92%	18.14	10.92
+91	+12%	5,385,000	FIFO	3,677,955	1.25%	15.20	10.38
+75	+8%	582,000	LIFO	439,000	.84%	11.27	8.50
+19	+1%	(273,000)	FIFO	88,000	(.03%)	(1.72)	.56
$+88	+7%	$231,771,904		$133,641,510	2.25%	$50.24	28.97

CONVENIENCE STORE SEGMENT OF THE NATIONAL FOOD STORE BUSINESS 1974 Through 1982

	1974	1975	1976	1977
Total Food Store Sales	$131 Billion	$143 Billion	$153 Billion	$163 Billion
Total Convenience Store Business	$5.3 Billion	$6.2 Billion	$7.4 Billion	$7.4 Billion
Convenience Store Business as a % of Total U. S. Food Store Business	4.06%	4.32%	4.84%	4.53%
Total No. of Food Stores	198,130	191,810	183,700	175,820
Total Number of Supermarkets	31,430	31,710	32,700	33,120
Total Number of Convenience Stores	22,700	25,000	27,400	30,000
Convenience Stores as a % of Total Food Stores	11.5%	13.0%	14.9%	17.0%
Average Annual Sales - Convenience Stores	$234,361	$248,000	$270,802	$246,000
Average Daily Sales - Convenience Stores	$642	$679	$741	$673
Consumer Price Index - Urban Consumers 1967 = 100	139.7	156.1	166.7	175.3
Average Daily Convenience Store Sales adjusted for inflation		580	621	536

Supermarket Qualifications: to include only stores doing over $2,000,000 annually

Increase in number of stores from 1974 to 1982: 70.5%.

Source of Information:
Progressive Grocer

Annual Survey of Food Stores

1978	1979	1980	1981	1982
$180 Billion	$199 Billion	$221 Billion	$241 Billion	$252 Billion
$8.7 Billion	$10 Billion	$12.4 Billion	$14.1 Billion	$15.1 Billion
4.84%	5.01%	5.61%	5.86%	5.99%
169,500	168,900	167,100	165,000	162,000
33,400	33,600	34,900	28,680*	28,950*
32,500	34,125	35,800	37,800	38,700
19.2%	20.2%	21.4%	22.9%	23.9%
$268,000	$293,040	$346,368	$373,544	$390,180
$734	$802	$949	$1,023	$1,068
187.2	207.7	233.2	260.5	282.5
548	547	568	548	528

Historical Summary: Shop & Go, Inc.

Data Taken from the Annual Report
and 10K for the Year

Inventory Accounting: LIFO

	1st Survey	2nd Survey	3rd Survey	4th Survey	5th Survey	6th Survey	7th Survey	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
							Year Ended						
	3/31/71	3/31/72	3/31/73	3/31/74	3/31/75	3/31/76	3/31/77	3/30/78	3/29/79	4/3/80	4/2/81	4/1/82	3/31/83
Number of Stores		121	134	170	235	285	342	371	379	381	412	405	415
Store Growth in Year			13	36	65	50	57	29	8	2	31	−7	+10
Store Days			48,910	55,498	74,860	95,160	114,456	129,766	136,500	140,609	144,326	147,420	149,240
Sales per Day			$532	$647	$667	$639	$613	$637	$687	$771	$848	$913	$892
Sales Growth $DPD				$+115	$+20	$−28	$−26	$+24	$+50	$+84	$+77	$+65	$−21
Pretax Profit $DPD			$38.46	$50.26	$36.31	$32.94	$27.04	$32.24	$43.70	$60.70	$64.76	$78.81	$78.74
After Tax Profit $DPD			$19.12	$25.59	$19.19	$17.34	$14.46	$17.50	$22.62	$31.83	$34.32	$42.40	$43.02
Store Closures				2	2		5	9	19	9	12	21	8
Gasoline Units				59	69	118	192	225	225	225	265	268	286
$DPD Ranking			Not Included	1/13	2/13	1/13	4/13	6/13	2/13	2/13	1/12	1/11	1

BASIS FOR PROFIT PER DAY DETERMINATION

Operated 415 Shop & Go stores on March 31, 1983, 378 of which are in Florida and 37 are in Georgia.

1. The annual report states that total convenience stores merchandise sales were $133,174,000.

2. Store Days:
   Store days of stores open all year: 405 x 364 = 147,420
   Store days of new stores figured for 1/2 year only 10 x 182 = 1,820
   Total store days: 149,240

3. Sales per Store per Day:
   Sales of $133,174,000 divided by 149,240 store days equals average sales of $892 per store per day.

4. Pretax Profits:
   Pretax profits of $11,750,691 have been divided by store days of 149,240 to arrive at a pretax profit of $78.74.

5. After Tax Profits:
   After tax profits of $6,420,742 have been divided by store days of 149,240 to arrive at an after tax profit of $43.02.

6. New Stores Planned:
   15-20 new stores in fiscal 1984.

7. Gasoline not included in sales.

8. Video Commission of $1,083,000 equals $7.26 per day. This is a decrease in video game revenue of $1.64 per store per day from the previous year.

To Our Stockholders

Your Company realized record revenues and earnings for the fiscal year ended March 31, 1983. Total revenues were $201,956,000 for the fiscal year ended March 31, 1983, whereas total revenues for the fiscal year ended April 1, 1982 were $170,717,000 representing an 18% increase. Net earnings were $6,421,000, or $.95 per share, for the fiscal year ended March 31, 1983 as compared to $6,251,000, or $.93 per share, for the fiscal year ended April 1, 1982. This is the 11th consecutive year that record sales and earnings have been reported. Management feels that the results were good given the negative economic environment which had some effect on the Company during most of the year.

During fiscal 1983, the Company implemented a new store design to better accommodate the changing demands of the convenience store customer. This design facilitates better customer traffic patterns within the store, giving more exposure to numerous customer impulse purchase items. Reallocation of space in the newly designed store helps to increase profits as it gives more space and emphasis to high profit fast food items. The design also displays a more attractive decor both interior and exterior. During fiscal 1984, all new stores will be constructed to the specifications of the new design.

In gasoline marketing, the Company maintains a philosophy of competitive pricing. This was made possible through the acquisition in 1981 of the pumping equipment, inventory and rolling stock from Key Energy Enterprises, Inc., our major gasoline supplier. Since gasoline sales are important to the Company in terms of sales and profits, Management has included the potential for gasoline sales at a given location as part of the selective criteria for convenience store locations.

During the year, the Company continued its policy of selective growth, while closing unprofitable locations. Consequently, 18 stores were opened and 8 stores were closed during the year, resulting in 415 stores being in operation as of March 31, 1983.

During the coming year, Management plans to open 15-20 new stores geographically located in the growth areas of Florida. These growth areas include some of the fastest growing areas in the country. Examples of such areas include, Tampa, Ft. Myers—Naples, Orlando—Disney World and Sarasota—Bradenton. Most of the new locations will include multi-hose gasoline installations, facilitating higher gasoline sales and higher non-gasoline purchases as a result of more store traffic generated by additional gasoline customers.

Finally, in an effort to upgrade and better equip our employees to function more effectively in our growing industry, the Company has designated a member of senior Management to develop better training programs for our employees and, also, to insure proper implementation of these programs.

Robert A. Jaeb
Chairman of the Board
President

Lorena Jaeb
Executive Vice President
Treasurer

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Liquidity And Capital Resources

Liquidity:

Working capital (current assets less current liabilities) and current ratio (current assets divided by current liabilities) for the three fiscal years ended March 31, 1983 were:

	1983	1982	1981
Working Capital	$(2,346,000)	$(3,636,000)	$(102,000)
Current Ratio	.82	.74	.99

In fiscal 1983, current assets increased $204,486 while current liabilities decreased $1,085,829, primarily as the result of decreases in long-term debt due within year of $2,097,654 and accrued Federal and State income taxes of $886,597. These were partially offset by increases in trade accounts payable of $949,135, gasoline taxes payable of $548,713 and other accrued liabilities of $348,446.

In fiscal 1982, current assets increased $546,868, as a result of an increase of $1,765,248 in inventories, largely arising from an increase in gasoline inventories, along with increases in receivables and prepaid expenses of $159,239 and $141,605, respectively, partially offset by a decrease in cash, including temporary cash investments, of $1,519,224. Current liabilities increased $4,080,964, primarily due to increases in long-term debt due within one year of $2,468,210, accounts payable of $226,945, accrued liabilities of $1,090,285 and other current liabilities of $299,784. Borrowings of $2,500,000 outstanding at April 1, 1982 under the revolving credit note, otherwise due on April 30, 1984, were classified as long-term debt due within one year since such borrowings were repaid during April and May 1982. Increases in Federal and State income taxes payable of $625,162 and gasoline taxes payable of $407,315 contributed to the increase in accrued liabilities.

Capital Resources:

The Company's operations generated working capital of $10,944,307 in fiscal 1983, $9,838,478 in fiscal 1982 and $7,287,268 in fiscal 1981.

In fiscal 1983, funds generated from operations and from the issuance of long-term debt were used, among other things, for property additions of $10,145,000. Such additions included the cost of store sites for present and future construction of $2,565,000, the cost of buildings and improvements of $3,233,000, the cost of new gasoline installations and the upgrading of existing locations of $1,127,000, the cost of new store equipment of $1,692,000 and expenditures of $1,528,000 for additions to the vehicle fleet, including $1,066,000 applicable to the purchase of 33 vehicles which were previously leased. The foregoing expenditures include costs applicable to 18 stores which were opened during fiscal 1983 and seven stores which were under construction at March 31, 1983.

In fiscal 1982, funds were generated from operations, through the issuance of long-term debt and from the sale of certain stores which had operated below acceptable levels. These funds were used primarily for property additions, including the purchase from the Company's principal gasoline supplier of the gasoline inventory and equipment used by the supplier in the sale of gasoline at 221 of the Company's stores on which the Company previously received commissions based on the amount and profitability of such sales. In fiscal 1981, working capital from operations and the issuance of additional long-term debt were used in connection with the purchase of additional store sites, which included the acquisition of a 25 store chain in the Savannah, Georgia area.

Management's Discussion

Shop & Go intends to continue its expansion program, and is planning on the addition of approximately 15 to 20 new convenience stores in fiscal 1984. The cost of acquiring the sites for and building and stocking these stores is anticipated to be funded from working capital provided by operations and long-term borrowings applicable to specific store sites.

Generally, in each of the last three fiscal years, cash flow from operations has been sufficient to meet working capital requirements. As a result of this high degree of liquidity, the Company has not found it necessary to obtain significant amounts of funds from external sources, except for long-term borrowings relating to specific store locations and, during fiscal 1981, the acquisition of a 25 store chain in Georgia, and during fiscal 1982, the foregoing purchase of gasoline inventory and equipment.

The Company currently has a line of credit arrangement with maximum borrowing availability of $4,000,000, none of which was used at March 31, 1983.

Results Of Operations

Comparison of Fiscal 1983 to Fiscal 1982:

Net sales increased $32,381,742, or 19.3%, in fiscal 1983 as compared to fiscal 1982. Gasoline sales increased $33,534,222 due to a full year's impact from the gasoline transaction discussed above and increased volume because of a change to a more competitive pricing structure in early 1982. Aggregate convenience store sales and average per store convenience store sales decreased .9% and 1.6%, respectively, in fiscal 1983 as compared to fiscal 1982. Management believes that the slight reduction in convenience store sales resulted from the negative economic environment which prevailed throughout most of fiscal 1983. The Company operated 405 stores at April 1, 1982 and 415 stores at March 31, 1983.

The overall gross profit percentage (net sales minus cost of goods sold as a percentage of sales) decreased from 29.8% in fiscal 1982 to 26.3% in fiscal 1983, principally due to a lesser gross profit percentage earned on gasoline sales, influenced by Management's competitive pricing philosophy in an industry which has recently experienced decreasing margins. Gasoline sales constituted 34.3% of total sales in fiscal 1983 as compared to 20.9% in fiscal 1982.

Rentals based on gasoline sales totaled $209,356 in fiscal 1983 as compared to $919,979 in fiscal 1982, such decrease resulting principally from the gasoline transaction discussed above.

Other income decreased $431,501, or 22.4%, in fiscal 1983 as compared to fiscal 1982. Reductions in commissions from video games of $230,070, interest income from temporary cash investments and notes receivable of $148,258 and gains from non-recurring sales of fixed assets and other miscellaneous income of $153,990 were partially offset by an increase of $100,817 in rental income from miscellaneous property located adjacent to stores. Third parties own and operate the video games for which the Company receives approximately 50% of the gross receipts from the games as commission.

Operating, general and administrative expenses increased $950,323, or 2.5%, in fiscal 1983 as compared to fiscal 1982 due to an increase of $1,258,729 in labor and other operating costs associated with the gasoline operations. Operating, general and administrative expenses applicable to the convenience store operations declined slightly on both an aggregate and per store basis in fiscal 1983 as compared to fiscal 1982. Such reduction in expense was achieved principally through more efficient labor utilization and electricity conservation measures.

Depreciation and amortization expense for fiscal 1983 increased $577,235 over such expense for fiscal 1982, principally due to the effect of fixed assets additions during the current and prior years discussed at "Capital Resources" above.

Historical Summary: National Convenience Stores

Data Taken from the Annual Report
for the Year

Inventory Accounting: FIFO

	1st Survey	2nd Survey	3rd Survey	4th Survey	5th Survey	6th Survey	7th Survey	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
	Year Ended												
	6/30/71	6/30/72	6/30/73	6/30/74	6/30/75	6/30/76	6/30/77	6/30/78	6/30/79	6/30/80	6/30/81	6/30/82	6/30/83
NATIONAL CONVENIENCE STORES **Houston, Texas**													
Number of Stores	487	529	646	808	801	743	722	725	806	817	832	922	1,012
Store Growth in Year	31	42	117	162	–7	–58	–21	3	81	11	15	90	90
Store Days	172,113	185,441	214,496	265,436	292,365	271,938	263,530	264,076	268,350	296,192	305,578	320,060	352,910
Sales per Day	$418	$478	$503	$495	$552	$643	$727	$813	$919	$1,036	$1,142	$1,298	$1,214
Sales Growth $DPD	$+57	$+60	$+25	$–8	$+121	$+91	$+84	$+86	$+106	$+117	$+106	$+156	$–84
Pretax Profit $DPD	$7.07	$13.63	$13.35	$14.50	$5.87	$18.09	$25.58	$32.35	$36.52	$44.88	$54.61	$60.49	$65.03
After Tax Profit $DPD	$4.41	$7.50	$8.22	$8.42	$4.30	$9.75	$13.41	$18.98	$22.37	$27.18	$33.31	$38.07	$40.31
Store Closures	10	19	23	20	71	79	38	18	29	28	42	73	92
Gasoline Units	35	84	183	255	282	292	311	327	418	446	478	585	695
$DPD Ranking	6/10	5/10	7/10	11/13	12/13	8/13	6/13	5/13	6/13	3/13	3/12	4/11	2/12

BASIS FOR PROFIT PER DAY DETERMINATION

Operated 1,012 stores in eleven states on June 30, 1983, primarily under the names of Stop 'N' Go, Hot Stop, Shop 'N' Go, and Colonial. One hundred twenty-five Colonial food stores were acquired on May 31, 1983. Over 65% of all the stores are in Texas.

1. The annual report states that store sales were $428,600,000.

2. Store Days:
   Store days of stores open all year 922 x 365 = 303,680
   Store days of stores figured for 1/2 year only 90 x 182 = 16,380
   Total store days: 352,910

3. Sales per Store per Day:
   Store sales of $428,600,000 divided by 352,910 store days equals average sales of $1,214 per store per day for the year.

4. Pretax profit:
   Pretax profit of $22,951,000 divided by 352,910 store days results in a pretax profit of $65.03 per store per day.

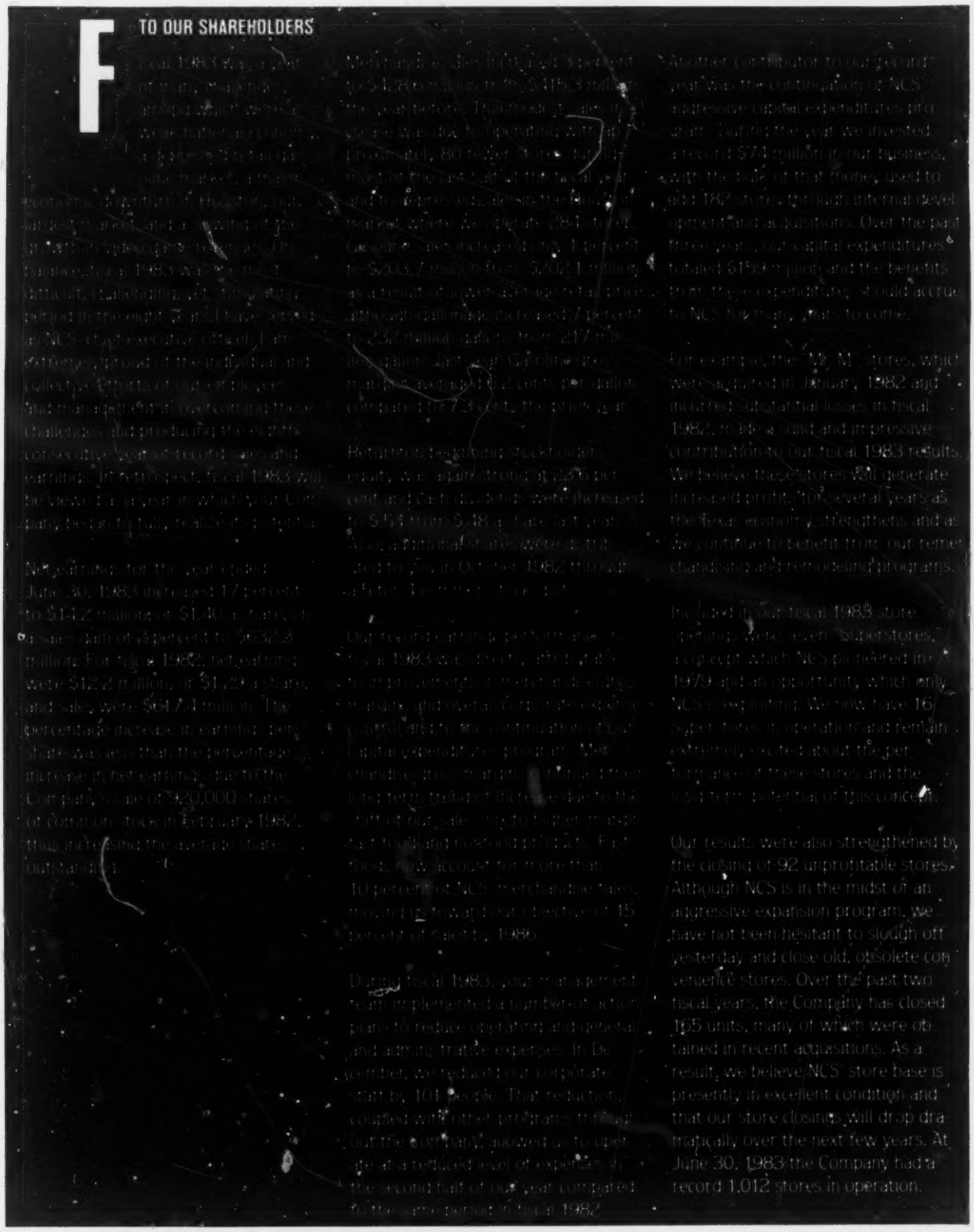
5. After Tax Profits:
   After tax profit of $14,226,000 divided by 352,910 store days results in an after tax profit of $40.31 per store per day.

6. **New stores planned:** 85, eight to ten of which will be super stores, are planned for this year.

7. 75% of the stores are open 24 hours a day.

8. Gasoline is not included in the sales figures.

9. The company figures its own income per store. Their figures show pretax $DPD per day per store to be $59.20.



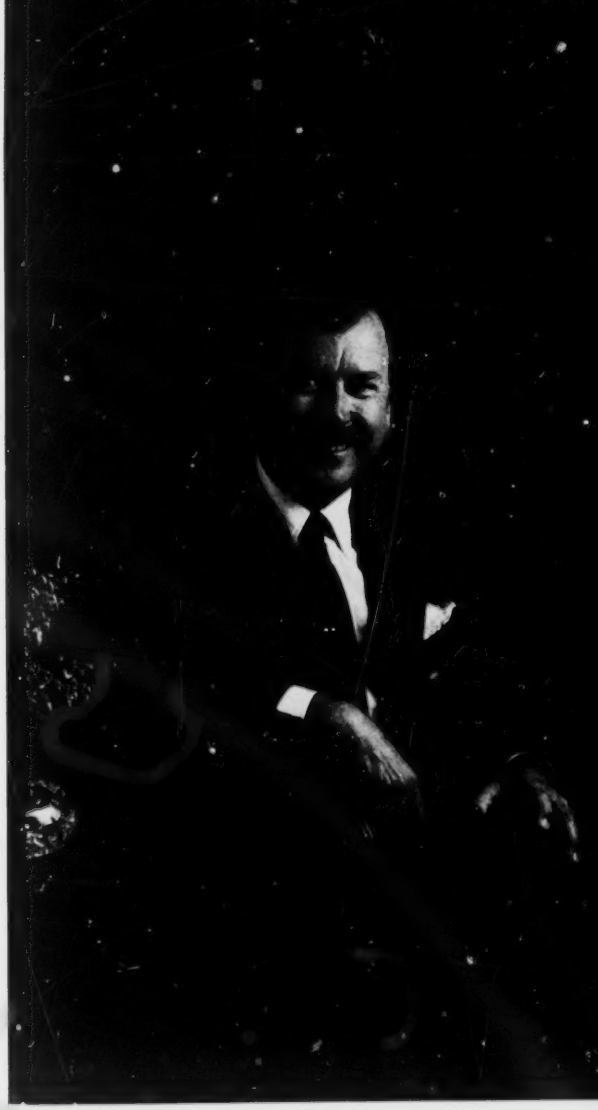
TO OUR SHAREHOLDERS

BEST AVAILABLE COPY

On May 31, 1983 NCS completed the largest acquisition in its history with the purchase of "Colonial Food Stores," a chain of 125 stores concentrated in the West Texas markets of Midland, Odessa, San Angelo, Abilene and El Paso. This acquisition accelerates our corporate growth plan, adds 116 gasoline installations to our existing network, affords us new expansion opportunities in other Texas growth markets and enables us to achieve greater economies of scale in operating and administrative overhead areas. We are very excited about this quality group of stores and expect them to make an important contribution to our fiscal 1984 results.

In fiscal 1983, NCS further strengthened its senior management team through the election of the following officers: Ned Dickey, Vice President Midwestern Division; Lewis B. Kilbourne, Treasurer; Randy Kimble, Vice President Store Operations; Terry Parks, Vice President Real Estate; and Ray Springer, Vice President Accounting and Systems.

Looking forward, we expect to open approximately 85 new stores during fiscal 1984 as part of our stated goal of adding 400 stores, net of closings, from 1981 to 1986. The Company has planned capital expenditures of $85 million. Approximately $50 million of this capital budget has been earmarked for the acquisition of real estate sites and the construction of new stores. The remainder of our capital budget will be used to equip and fixture the planned new stores, to remodel approximately 150 high performing stores and to reinvest in our existing store base in growth areas like fast foods, gasoline and coin operated electronic video games.



From my perspective, NCS has never been in better shape. Our organization is lean and responsive to our customers' needs, our management is experienced and tested under fire and our existing store base is strong. In addition, NCS has substantial opportunities for growth from productivity increases, new store openings, and acquisitions of other chains.

I would like to conclude by emphasizing that NCS is looking for its strongest period of growth over the next several years, as we:

- attract an expanding base of on-the-go, time-conscious consumers,
- take advantage of further growth opportunities in fast foods, nonfoods and gasoline, and
- aggressively increase our market share position in our Sunbelt markets.

There are few limits on our aspirations for NCS. We intend to continue to lead and outperform our industry.

Sincerely,

V.H. Van Horn
President and Chief Executive Officer

September 15, 1983

BEST AVAILABLE COPY

tures for store and gasoline equipment. Investment credits in 1983 were adversely affected by the reduction of the percentages allowed beginning January 1, 1983.

Net earnings as a percentage of sales increased to 2.2% in 1983 from 2.0% in 1982 and 1.9% in 1981. These percentage increases were primarily attributable to sales improvements in higher-margin merchandise and improved expense control. The increases of 8.5%, 13.2% and 14.0% in earnings per share for each of the last three years were less than net earnings gains due to the increase in average shares outstanding from sales of common stock.

Liquidity and Capital Resources:

Liquidity

Working capital (current assets less current liabilities) and the current ratio (current assets divided by current liabilities) at year end were:

	1983	1982	1981
Working capital (in millions)	$37.3	$32.1	$ 8.1
Current ratio	1.66	1.71	1.21

The changes in working capital were due primarily to NCS' investment in new store properties which are carried as current assets until mortgaged. Since substantially all NCS' sales are for cash and inventories are converted to cash in less than one month, NCS considers its cash flow adequate to satisfy its daily working capital requirements. To provide for any temporary shortfalls in working capital, NCS has a short-term unsecured bank credit line of $10 million.

Capital Resources

NCS believes there are opportunities to improve its sales and earnings performance through additional capital investment. Capital expenditure plans include both the remodeling and renovation of existing stores, the introduction of new equipment to enhance operating efficiency and respond to customer demand and the acquisition and development of new store sites.

Capital expenditures and internally generated funds (working capital provided from operations) for the three years were:

	1983	1982	1981
	($ in millions)		
Capital expenditures	$73.9	$57.0	$28.2
Internally generated funds	35.7	29.2	21.1

To provide the necessary funds for capital expenditures, NCS will use the most advantageous combination of internally generated funds and debt, lease and equity financing. NCS' policy is to fund all capital expenditures for equipment, fixtures and improvements through internally generated funds. New store locations are funded through debt or lease financing.

NCS prefers, when possible, to own its operating assets including new store locations. To finance the ownership of stores, NCS funds the purchase of sites and the construction of stores through a $60 million unsecured bank revolving credit facility. The developed sites are subsequently refinanced through long-term mortgages.

The majority of NCS' stores are still operated under capital leases. Increases in capital lease obligations during recent years were primarily the result of leases acquired from other operators.

Liabilities related to owned store sites are greater than they would be if NCS chose to continue leasing new store locations. A capital lease obligation reflects only the portion of the obligation related to the store building whereas a debt obligation related to an owned store site reflects both the building and the land.

NCS received $11.1 million in February 1982 and $9.1 million in October 1980 from sales of common stock. The proceeds from these offerings were used to reduce bank debt incurred primarily for the construction of new stores and the acquisition of stores from other operators.

During the three-year period, NCS' annual dividend payout increased to $.54 a share in 1983 from $.48 in 1982 and $.40 in 1981. NCS' dividend policy, which is developed in light of earnings performance and financial condition, is anticipated to range between 25% and 30% of earnings.

NCS also distributed additional shares to stockholders through a 5 for 4 stock split, a 20% stock dividend and a 4 for 3 stock split in each of the last three years, respectively.

BEST AVAILABLE COPY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations:

The following table indicates the percentage which items in the Consolidated Statements of Earnings bear to sales and their percentage change over the preceding year.

	Percentage of Sales Year Ended June 30			Year to Year Percentage Change		
	1983	1982	1981	1983 vs. 1982	1982 vs. 1981	1981 vs. 1980
Sales	100.0%	100.0%	100.0%	2%	17%	21%
Cost of sales	71.4	72.9	74.2	1	15	24
Gross profit	28.6	27.1	25.8	7	23	14
Operating expenses	18.0	17.4	16.6	6	23	12
General and administrative expenses	5.4	5.4	5.2	1	22	24
Interest expense	1.6	1.2	.8	30	62	(9)
Earnings before income taxes	3.6	3.1	3.2	19	16	26
Income taxes	1.4	1.1	1.3	22	10	24
Net earnings	2.2%	2.0%	1.9%	17	20	26

The 2.4% increase in sales was less than the increase in preceding years due to a lower level of general inflation, a reduction in the retail selling price of gasoline and the effects of the economic recession in all markets, particularly in the southeastern portion of the U.S. and Houston, Texas. Average sales per store were $715,000 in 1983, $689,000 in 1982 and $649,000 in 1981 reflecting gains of 3.8%, 6.2% and 21.8%, respectively.

	1983	% Gain	1982	% Gain	1981	% Gain
	($ and gallons in millions)					
Merchandise sales	$428.6	3.2	$415.3	19.0	$349.1	13.8
Gasoline:						
Sales	$203.7	.8	$202.1	13.3	$178.3	39.8
Gallons sold*	231.6	7.0	216.5	18.8	182.2	17.2

*Includes gallons sold on a commission basis of 44,300,000, 46,400,000 and 32,600,000, respectively.

The volume of gasoline sold has improved each year as a result of NCS' competitive pricing of gasoline products, the continuous upgrading of gasoline facilities and more stores selling gasoline.

The gross profit percentage has increased the last two years as in-store merchandise margins continue to improve and gasoline sales, which carry a lower margin than merchandise, remained relatively stable as a percentage of total sales. In-store merchandise margins have increased each year due to sales improvements in higher-margin fast food and nonfood products and the contribution of revenues from coin-operated electronic video games. The average per-gallon margin in gasoline sales was 6.2 cents, 7.3 cents and 7.2 cents for each of the last three years, respectively. The sharp reduction in gasoline margins for fiscal 1983 was due to a continued oversupply condition and a more aggressive pricing posture by the major gasoline retailers.

In 1983, higher operating expenses were attributable to increases in depreciation, insurance losses and utilities. General and administrative expenses were comparable to 1982 as a result of expense control programs effected in the second half of the fiscal year. In 1982, higher expenses in both categories were attributable to increases in payroll, depreciation, utilities, advertising and more stores in operation throughout the year.

Interest expense increased each year due to higher levels of debt resulting from the development of new store sites and the acquisition of stores from other operators.

The effective income tax rates of 38% in 1983, 37% in 1982 and 39% in 1981 were lower than the federal statutory rates due to investment credits on capital expendi-

NATIONAL CONVENIENCE STORES HISTORICAL SUMMARY - SEPTEMBER 1983

National Convenience Stores was incorporated in Texas in 1959 as U-Tote-M of San Antonio, Inc. In early 1960, the Company began to operate its first five stores.

During its second year of operation, the Company expanded to southern California and sales increased to the $1 million level. In 1962, with 21 stores in operation, the Company changed its name to National Drive-In Grocery Corporation. The following year, the Company began operations in a third state, Nevada, and moved its headquarters to Anaheim, California. In 1964, National Drive-In Grocery Corporation liquidated its franchise agreement with U-Tote-M, became an independent company and sales in its 70 stores surpassed the $5 million mark.

Eastward expansion began in 1965 with the addition of Georgia, followed within two years by Tennessee and Mississippi. In 1965, corporate headquarters were moved to Houston, Texas. By the end of its 1968 fiscal year, the Company had 300 stores in operation in six states, sales of $39 million and a new name, National Convenience Stores Incorporated.

The ten-state level was reached in 1969 when Louisiana, Kansas, Missouri and Arizona became sites of Stop N Go and Shop N Go convenience food markets. During that year a 57 store chain in Houston was acquired bringing NCS' store total to 414 producing sales in excess of $50 million. In 1970, the Company entered the self-serve gasoline business.

In 1972, the Company made its first public offering of 291,000 shares of common stock producing net proceeds of $4.4 million. By the end of fiscal year 1973, NCS had added Florida to its field of operations with the acquisition of the PDQ stores in West Palm Beach. Expansion into Colorado that same year brought the number of stores in operation to 646 with annual sales of $100 million.

In 1974 NCS experienced its fastest growth when 182 stores and one new state, Oklahoma, were added to the network, bringing stores in operation at year-end to 808 and the number of states to 13 with almost $200 million in sales. Store growth slowed in 1977 when the Company sold its operation in Kansas and Missouri, reducing its operations to the present 11 Sunbelt states. Fiscal 1977 saw average sales per store grow at twice the industry rate with an earnings per share increase of 32% and brought a commitment to shareholders to double '77 earnings within three years which was achieved.

Expansion in 1978 and 1979 of the Company's distribution centers, fast food centers, and gasoline facilities were part of the Company's commitment to responsive marketing. This commitment resulted in a unique concept in convenience stores when NCS opened its first 3,600 sq. ft. Superstore in February 1979 in Houston.

Early 1979 brought two significant developments to NCS: Listing on the American Stock Exchange and the acquisition of the 85 store chain of Texas Super Duper Markets, Super Quik Incorporated and Jay's Washaterias.

In October 1980 NCS completed its second public offering of 900,000 shares of common stock resulting in net proceeds of $9.1 million. With the additional shareholders gained through this public offering, the Company was able to obtain listing on the New York Stock Exchange under the symbol NCS in May 1981.

In that same month, NCS acquired a chain of 33 stores located in Nashville and Memphis and in August and November of the same year, acquired 14 stores in Jackson, Mississippi and another eight stores in the Greater Houston area, respectively. These acquisitions significantly improved our market share position and made NCS the largest convenience retailer in both its Nashville and Jackson markets. Fiscal 1981 also brought the successful introduction of coin-operated electronic video games. In that same year,

we opened our second commissary operation in Anaheim, California.

NCS significantly increased its store base in two of its best markets, San Antonio and Houston, with the acquisition in January 1982 of 116 stores operated under the name "Mr. M Food Stores."

In February 1982, NCS again increased its shareholder base by completing its third public offering. The 920,000 shares of common stock sold resulted in net proceeds of $11.1 million.

In June 1982, NCS tested automated teller machines in six Houston stores. The test proved very successful and plans call for the installation of ATM's in 75 Texas stores. In October 1982, six "Food and Deli" stores were acquired in Las Vegas bringing to 30 the number of stores owned and operated in the Las Vegas market.

In May 1983, NCS completed the largest acquisition in its history with the purchase of 125 "Colonial Food Stores" thus expanding operations to the West Texas markets of Midland, Odessa, San Angelo, Abilene and El Paso and affording the Company new growth opportunities in other Texas markets.

At June 30, 1983, NCS had a record 1,012 stores in operation and also produced its eighth consecutive year of record sales and earnings of $632.3 million and $14.2 million, respectively. Today, NCS ranks as one of the top fifty retailers of gasoline in the U.S. with sales of over $200 million annually.

###

Historical Summary: Southland

Data Taken from the Annual Report and 10K for the Year

Inventory Accounting: LIFO

	1st Survey	2nd Survey	3rd Survey	4th Survey	5th Survey	6th Survey	7th Survey	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
	Year Ended												
	12/31/70	12/31/71	12/31/72	12/31/73	12/31/74	12/31/75	12/31/76	12/31/77	12/31/78	12/31/79	12/31/80	12/31/81	12/31/82
SOUTHLAND CORPORATION Dallas, Texas													
Number of Stores	3,734	4,114	4,455	4,801	5,171	5,579	5,953	6,357	6,599	6,805	6,895	7,002	7,165
Store Growth in Year	197	380	341	346	370	408	374	404	242	206	90	107	163
Store Days	1,327,056	1,432,450	1,564,013	1,689,393	1,820,075	1,962,079	2,110,356	2,246,373	2,364,349	2,446,127	2,507,100	2,535,749	2,585,396
Sales per Day	$564	$598	$624	$653	$708	$731	$813*	$841	$950	$1,087	$1,219	$1,394	$1,532
Sales Growth $ DPD		$+34	$+26	$+29	$+55	$+23	$+82	$+28	$+109	$+137	$+132	$+175	$+138
Pretax Profit $DPD	$17.15	$19.35	$20.38	$20.64	$25.45	$30.04	$32.19	$35.71	$40.79	$38.42	$46.44	$60.67	$59.34
After Tax Profit $DPD	$8.50	$9.97	$11.09	$10.47	$12.64	$14.99	$16.09	$18.00	$20.66	$28.13	$27.05	$34.17	$33.97
Store Closures	139		83	80	142	158	154	254	308	460	281	267	271
Gasoline Units	75	149	356	463	502	721	1,235	1,573	1,857	2,107	2,246	2,517	2,827
$DPD Ranking	3/10	4/10	4/10	6/13	6/13	3/13	3/13	3/13	4/13	7/13	4/12	3/11	3/12

*Includes gasoline sales.

BASIS FOR PROFIT PER DAY DETERMINATION

Operated 7,165 7-Eleven stores on December 31, 1982 in 42 states, the District of Columbia, and Canada, of which 4,327 were company-operated stores and 2,838 were franchise stores.

1. The annual report states that 7-Eleven store sales without gasoline were $3,960,000,000.

2. Store Days:
   Store days of stores open year-round 7,002 x 365 = 2,555,730
   Store days for new stores figured for 1/2 year only 163 x 182 = 29,666
   Total store days 2,585,396

3. Sales per Store per day:
   Sales of $3,960,000,000 divided by 2,585,396 store days equals average sales of $1,532 per store per day for the year

4. The annual report states that in 1982, 87 [illegible]% of the company's total operating profits were from the stores group. Total pretax earnings for Southland were $188,741.00 The stores group pretax profits were thus $164,980,410.

Historically about 93% of the profit in the stores group is from 7-Eleven. This year the report does not state the percentage. If we assume that 100% of the stores group profit was from 7-Eleven, the $DPD would be $63.81 ($164,980,410 divided by store days of 2,585,396). If we assume that 93% of the stores group profits this year are from 7-Eleven, the $DPD would be $59.34 per 7-Eleven store (93% of $164,980,410 equals $153,431,400, which when divided by 2,585,396 7-Eleven store days equals $59.34). Since there are other store operations in the stores group, we have chosen the later approach.

5. After Tax Profits:
   After tax profits for Southland are 57.2% of the pretax profits. Total after tax earnings for Southland were $108,051,000. If we assume that after tax profits bear the same relationship to operations as pretax profits, after tax profits for the stores group would be $94,436,574 (87.43% of $108,051,000). If 93% of the stores group after tax profits are from 7-Eleven, we have the following calculation of after tax $DPD profits: 93% of $94,436,574 equals $87,825,945 divided by 7-Eleven store days of 2,585,396, which equals $33.97). Southland receives the equivalent of $2.53 per store per day in royalty payments from 7-Eleven Japan Co. Ltd.

STORES GROUP

(Millions)	1978	1979	1980	1981	1982	5 Year Compound Growth
Sales	$2,784.0	$3,453.0	$4,294.1	$5,114.5	**$5,708.1**	**20.3%**
Operating Profit	140.0	143.3	174.4	219.9	**224.9**	**14.4**

The Stores Group includes Southland's primary business, 7,165 7-Eleven convenience stores, as well as the Regional Distribution Centers and Food Centers which support the stores. Other divisions in the Group are Gristede's food stores and Charles & Co. sandwich shops and gourmet stores, Super-7 multi-pump self-serve gasoline outlets, and the International Division, which is responsible for all Company affiliates and area licensees.

Outside sales of the Stores Group, which do not include sales of licensees or affiliates, reached $5.71 billion in 1982, up 11.6 percent, and represented 84 percent of Company sales. Operating profits for the Group were $224.9 million for the year.

7-Eleven Sales Set Record
7-Eleven sales were up 12.1 percent to a record $5.30 billion. Both merchandise and gasoline showed solid gains, even in an extremely difficult operating environment. Merchandise sales increased 12 percent, and the real sales growth of stores open 12 months or more surpassed four percent after adjusting for the effects of inflation. Self-serve gasoline sales were up over 12 percent due to a 20 percent increase in gallonage, which offset the lower average price per gallon.

7-Eleven Openings Increase
At year-end, 4,327 Company-operated and 2,838 franchised 7-Eleven stores were open in 42 states, the District of Columbia and five provinces of Canada. During the year, 434 stores were opened, the highest number since 1979. About 90 percent of the new stores were on high-quality corner locations. Of the 271 units closed this year, 30 percent were relocations to corners, with the remainder closed mainly due to population shifts, changing traffic and neighborhood patterns, and lease expirations.

"America Likes The Freedom Of 7-Eleven"
"The Freedom of 7-Eleven" is getting "what you want, when you want it, where you want it," to millions of Americans each day. The 7-Eleven stores' new advertising theme employed a nationally coordinated program of television commercials, radio spots and print advertising to emphasize the convenience of quick in-and-out service with its "freedom from the hassle" of supermarket crowds and "freedom from delay" at long check-out lines. 7-Eleven stores also offered "freedom of choice" and competitive prices at the soda fountain with a selection of six soft drink flavors, including Coca-Cola and Pepsi-Cola side-by-side — a first in the soft drink industry.

A "Freedom Super Prices" program heightened customer awareness of 7-Eleven competitive pricing of selected high-volume items such as take-home soft drinks, selected dairy and bakery products, cartons of cigarettes and case beer. Immediate customer acceptance resulted in significant volume gains in these featured items.

Training Develops Store Management Skills
Well-trained store personnel and franchisees are crucial to the Company's success. Not only must they master more complex and demanding store operations, but they also serve as Southland's representatives to almost seven million customers each day. Because of this, Southland places a very high priority on developing professional, success-oriented store managers and franchisees.

Last year, nearly 2,300 employees attended the Store Managers Training Program, while more than 500 completed the more stringent requirements to become "Certified Store Managers." Certification includes both advanced classroom instruction in all aspects of store operations and a training and evaluation period tailored to the managers' individual needs. Store clerks attend the three-day New Employee Training Program at any one of over 300 designated training stores to be oriented in store operations.

New franchisees and their representatives attend an intensive 10-day training program, where classroom instruction is combined with "hands on" experience to develop their basic

store management skills. This is followed by another week of classroom instruction and the "In-Store Skills Development Program" that assists franchisees in transferring their classroom skills to day-to-day operations.

Gasoline Volume Up 20 Percent
In 1982, Southland became the largest independent gasoline retailer in the nation. 7-Eleven self-serve gasoline gallonage increased over 20 percent from 1981 levels to 1.156 billion gallons. Part of this growth resulted from the addition of 310 7-Eleven gasoline units, raising the total to 2,827 at year-end. The Company also maintained competitive pricing on a neighborhood basis, producing a solid increase in average unit gallonage.

Self-serve gasoline, while accounting for one-fourth of total 7-Eleven sales, also aided merchandise sales, since approximately 30 percent of gasoline customers also purchase other items. And while abundant supplies pressured the cents-per-gallon gross profit to its lowest level since 1978, higher gallonage produced total gross profit dollars almost equal to the record 1981 level.

Three new Super-7 high-volume, self-serve gasoline stations were opened, increasing the total to 38 at year-end. These multi-island stations, located mainly on the West Coast, sold 59 million gallons of gasoline during the year that are not included in 7-Eleven totals.

Gristede's Means Quality
Gristede's has been the prestige grocer to the greater New York City area for over 90 years, providing premium-quality products and customer conveniences such as telephone ordering, home delivery and charge accounts. Including a new sandwich shop in the Wall Street district, 67 Gristede's locations and 17 Charles & Co. sandwich shops and gourmet stores were open at year-end. Fourteen units were closed during the year as the Division continued to improve the sales and profit potential of its store base.

Southland added 434 stores in 1982 — the largest number since 1979.

Licensees, Affiliates Add 436 Net New Stores
In addition to the Company's 7-Eleven stores, a total of 2,631 7-Eleven and other small retail units were operated at year-end by area licensees or Company affiliates in the United States and eight other countries.

The Japanese licensee, Seven-Eleven Japan Co., Ltd., once again led international development activity, with 1,593 7-Eleven stores open at year-end, 346 more than in 1981. In Australia, 52 stores were open in Melbourne, seven in Sydney and two in the new Brisbane market, 21 more than last year. The licensee for Taiwan increased to 58 units from 46, and in Hong Kong the number was quadrupled from eight to 33. In the United States, eight 7-Eleven licensees for designated areas in 23 states ended the year with a 44-unit increase to 470 stores.

R S McColl, Southland's United Kingdom affiliate, added nine units, remodeled 21 and closed 33, ending the year with 332 CTN

PERCENT CONVENIENCE STORE SALES (by Principal Product Category)

	1982	1981	1980	1979	1978
Gasoline	**25.3%**	25.3%	23.0%	17.2%	13.4%
Tobacco Products	**13.1**	12.1	12.3	12.9	12.9
Beer/Wine	**11.9**	11.7	11.7	12.4	12.9
Groceries	**10.8**	11.5	12.4	12.6	13.4
Soft Drinks	**9.8**	10.0	10.1	10.3	10.9
Non-Foods	**8.7**	8.1	8.0	8.7	9.4
Dairy Products	**5.9**	6.3	6.7	8.4	8.9
Other Food Items	**5.0**	5.2	5.6	6.2	5.5
Candy	**3.9**	4.0	4.0	4.3	4.7
Baked Goods	**3.0**	3.2	3.4	3.8	4.6
Health/Beauty Aids	**2.6**	2.6	2.8	3.2	3.4
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%

The Company does not record sales by product lines, but estimates the percentage of convenience store sales by principal product category based upon total store purchases.

and six 7-Eleven stores. Naroppet, Southland's Swedish affiliate, added 10 convenience stores and now operates 43 units in the Stockholm area, including 37 under the "7-Eleven/näroppet" name. Southland also owns an equity interest in 19 Super Siete convenience stores in Mexico, including 13 in Monterrey and six in Mexico City.

Food Centers Add Bakery Products

Southland's six Food Centers produce about 30 varieties of sandwiches, as well as French bread pizzas, burritos, snack cakes and other fast food items for distribution to 7-Eleven and other customers nationwide. They are located at each of the Distribution Centers and in Salt Lake City and St. Louis. In addition, the Centers processed 1.3 million gallons of flavored syrup for "Slurpee," the semi-frozen carbonated drink sold only in 7-Eleven.

During the year, the St. Louis Food Center was converted to produce "Aunt Bea's" bakery products, and in November began production of a high-quality selection of snack cakes and brownies packaged in individual portions for retail and institutional sales. The "Smileys Vend-Line" sandwiches and other fast food products introduced in 1981 for vending machines was expanded during the year to meet the growing demand for these items.

Distribution Centers' Outside Sales Up Strongly

Four Regional Distribution Centers located in Florida, Illinois, Texas and Virginia serve customers in 35 states and the District of Columbia, including 4,870 or 68 percent of the 7-Eleven stores. Total sales increased 12.6 percent to $880.8 million, and operating profits were up strongly for the year. The Champaign, Illinois, Center serving the depressed Midwest was not yet profitable.

The Centers utilize a computerized merchandise distribution system specially designed to answer the convenience stores' unique requirements. These include frequent deliveries of less than case lot quantities from a selection of over 1,700 items stocked at the Centers. Other system advantages include higher inventory turns, less excess inventory, fresher merchandise on the shelves and greater flexibility in handling seasonal and promotional products. For the ninth consecutive year the Centers achieved a 99 percent order fill rate.

Outside sales continued to climb, with the Centers serving almost 1,200 retail units, primarily other convenience stores, and approximately 1,000 food service accounts including fast food and sit-down restaurants, airline caterers and health care facilities. Sales to these outside businesses increased 24.1 percent to $162.4 million in 1982.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Accounting Information for the Three-Year Period 1980-1982

Effective January 1, 1982, the Company adopted Statement of Financial Accounting Standards No. 52 (SFAS No. 52), "Foreign Currency Translation," which revises the accounting and reporting requirements for translation of foreign currency financial statements. The primary revision for certain foreign operations is the use of the current exchange rate for some balance sheet accounts (principally property, plant and equipment) and the average exchange rate for related income statement items (principally depreciation expense) in place of historical exchange rates. The translation adjustments are made directly to shareholders' equity. The consolidated financial statements for 1981 and 1980 have been restated to reflect this change. In 1981, the Company adopted Statement of Financial Accounting Standards No. 43 (SFAS No. 43) which requires an expense accrual for vacation time earned but not taken. The consolidated financial statements for 1980 and prior years have been restated to comply with SFAS No. 43. When 1979 earnings are required for calculation of percentage gains for 1980, pro forma earnings are used. Pro forma earnings for 1979 remove the cumulative effect of the accounting change made that year from the deferral to the flow-through method of accounting for investment tax credits (ITC) and present the year as if on the flow-through method.

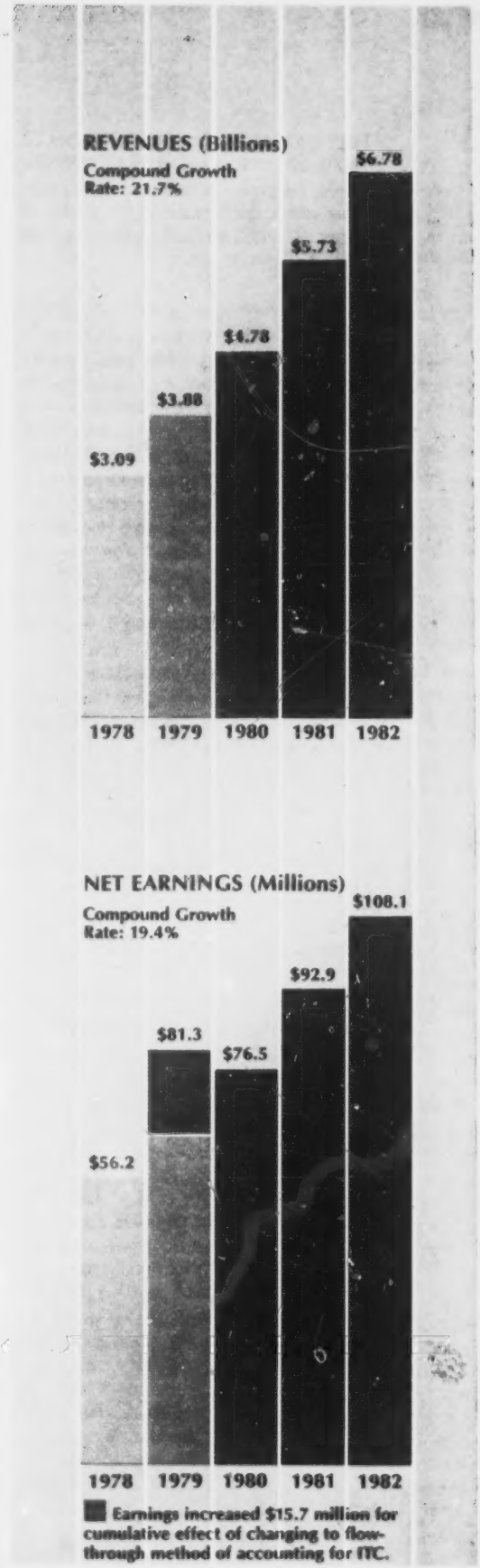
Earnings and dividends per share and market data comparisons for 1982, 1981 and 1980 reflect the effect of a 3-for-2 stock split which occurred in January 1983 and a 3% stock dividend in 1980.

RESULTS OF OPERATIONS:

Revenues

Revenues (net sales of products and merchandise, including sales by 7-Eleven stores operated by franchisees, and other income) established record highs in each of the past three years.

Revenues (Millions)	1982	% Gain	1981	% Gain	1980	% Gain
Net Sales						
Stores Group	$5,708.1	11.6	$5,114.5	19.1	$4,294.1	24.4
Dairies Group	355.0	(3.6)	368.2	2.7	358.5	14.2
Special Operations Group	151.2	19.9	126.1	18.9	106.1	18.8
Gasoline Supply	542.6	539.9	84.8	—	—	—
Total Sales	6,756.9	18.7	5,693.6	19.6	4,758.7	23.4
Other Income	25.5	(37.0)	40.5	69.5	23.9	20.7
TOTAL	$6,782.4	18.3	$5,734.1	19.9	$4,782.6	23.4



BEST AVAILABLE COPY

The Stores Group accounted for 84.5%, 89.8% and 90.2% of total sales in 1982, 1981 and 1980, respectively. 7-Eleven volume in 1982, representing 78% of total sales, increased 12.1% to $5.30 billion, following gains of 19.1% to $4.73 billion in 1981 and 23.7% to $3.97 billion in 1980.

For 1982, 7-Eleven sales, excluding gasoline, were up 12.1% to $3.96 billion after increases of 15.4% and 15.8% in 1981 and 1980. These gains resulted from existing store sales increases substantially in excess of the rate of inflation and the net addition of 163, 197 and 90 7-Eleven stores in 1982, 1981 and 1980, respectively. More efficient use of selling space, increased advertising, new products and services, and traffic-building competitive pricing of selected items, especially milk, beer, cigarettes and soft drinks, contributed to the gains. Sales increases in 1982 and 1981 were affected by a slowing of the inflation rate in 7-Eleven's product mix, excluding gasoline, to 5% in 1982 and 8% in 1981 from 10% in 1980.

Self-serve gasoline, the largest single product category in the 7-Eleven sales mix, was 25.3% of total convenience store sales in 1982 and 1981, up over the 23.0% reported in 1980.

Gasoline	1982	% Gain	1981	% Gain	1980	% Gain
Sales (Millions)	**$1,341.5**	**12.2**	$1,195.4	30.9	$912.9	60.4
Gallons (Millions)	**1,156.1**	**20.9**	956.0	20.6	792.9	17.4
Number of Stores	**2,827**	**12.3**	2,517	12.1	2,246	6.6

Sales increases in 1982 were due to increased gallonage despite lower retail prices. In 1981, gallonage accounted for most of the sales gain as retail prices increased at a slower rate than in the prior year due to ample supplies nationwide. Escalation of retail prices was the main reason for the sales gain in 1980.

The Dairies Group accounted for 5% of the Company's sales in 1982, 7% in 1981 and 8% in 1980. Although sales to outside customers declined 3.6% due to the disposition of three small processing operations, gains in intracompany sales caused total sales to increase 3.2%. The total amount of the increase represents real growth since the selling prices for dairy products remained relatively unchanged because disruptive industry conditions that began in 1981 still existed. Increased volume of ice cream and related novelty products, the addition of new products and greater emphasis on outside customers, including the institutional food service market, also contributed to the gains. In 1981, sales were up only slightly due to increased competition in the marketplace and a reduction in government-sponsored school lunch and other social feeding programs. The 1980 sales gain, which was in excess of the rate of inflation, resulted partly from a continuation of the overall improvement in market conditions which began in 1979 after the severe competitive environment of 1978.

The Special Operations Group, including the Chief Auto Parts Division acquired at the end of 1978, represented 2% of total sales in each of the three years.

In December 1981, the Company formed the Gasoline Supply Division whose primary purpose is to purchase and distribute gasoline to 7-Eleven retail operations at the lowest available cost. The Division is providing 60% of 7-Eleven's gasoline requirements nationwide. In addition, it has allowed the Company to expand its wholesale gasoline business which made a significant contribution to 1982 sales and earnings. Wholesale gasoline margins, which are even lower than retail gasoline margins, have lowered the Company's total gross margins.

Other income (interest income, area license royalties, equity in earnings of affiliates and net gain on sale of assets no longer of use to the Company) is included in total revenues. Interest income and area license royalties represented more than 75% of other income in each year.

Gross Profits and Margins

Gross profits (sales less cost of goods sold, including buying and occupancy expenses) were up 13.5%, 15.9% and 15.5% compared with sales gains of 18.7%, 19.6% and 23.4% in 1982, 1981 and 1980, respectively. For the same periods, gross margins (gross profits divided by sales) were:

Gross Margins (Percentage) QUARTERS	1982	1981	1980
First	**19.34**	20.86	21.81
Second	**21.46**	22.93	23.04
Third	**21.84**	22.48	23.38
Fourth	**20.41**	20.65	21.49
YEAR	**20.82**	21.76	22.46

Gross margins for the Company were lower in 1982, mainly due to decreases in retail gasoline margins and the addition of low-margin wholesale gasoline sales resulting from the formation of the Gasoline Supply Division in December 1981. Increases in gasoline sales as a percentage of total 7-Eleven sales and lower gasoline retail margins caused the Company's gross margins to decline in both 1981 and 1980.

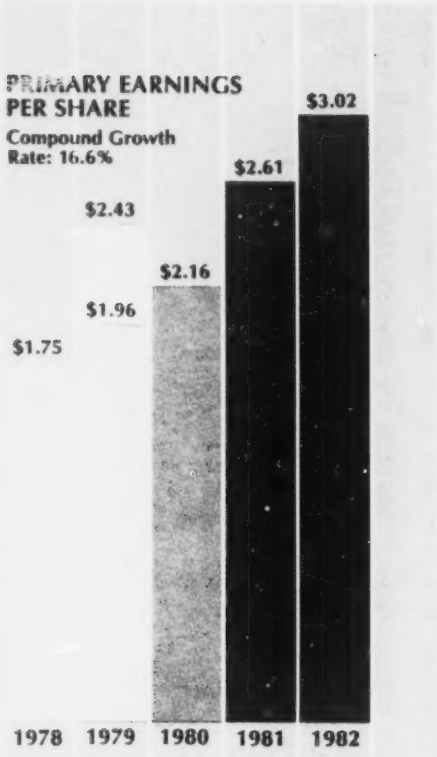
Gross margins for 7-Eleven, excluding gasoline, decreased slightly in 1982, primarily as a result of competitive pricing of selected items. Lower gross margins for gasoline caused declines in both 7-Eleven and overall Company gross margins. In addition, margins have been adversely affected by inflation-fueled increases in buying and occupancy expenses, including store rents and maintenance, utilities and property taxes. 7-Eleven gross margins, excluding gasoline, were up in 1981 and 1980, largely due to increased sales of high-margin products such as fountain soft drinks, non-foods, candy and snack items.

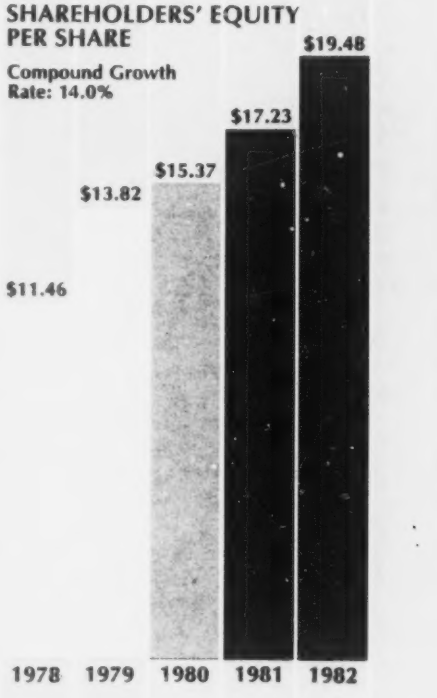
In 1982, Dairies Group gross margins improved substantially due to increased emphasis on premium product lines such as juices and juice-based drinks, ice cream and related novelties. Highly competitive market conditions in 1981 made production cost increases difficult to pass through and produced slightly lower gross margins. In 1980, generally favorable industry conditions enabled the Dairies Group to maintain its margins through aggressive merchandising and promotion, introduction of new products and processing efficiencies attributable to sustained plant modernization and automation programs.

Selling, General and Administrative Expenses
In 1982, 1981 and 1980, selling, general and administrative expenses were up 11.9%, 16.4% and 15.4%, compared with gross profit dollar gains of 13.5%, 15.9% and 15.5%, respectively. For the same periods, the ratios of these expenses to sales were:

Selling, General and Administrative Expenses (Percentage)			
QUARTERS	**1982**	1981	1980
First	**17.78**	19.43	20.09
Second	**17.24**	18.46	18.53
Third	**17.55**	18.49	19.06
Fourth	**17.02**	17.58	18.33
YEAR	**17.39**	18.44	18.95

The growth of retail and wholesale gasoline sales, which have lower associated selling expenses, caused selling, general and administrative expenses to drop 1.05 to 17.39% in 1982. In 1981, sales increases and cost reduction measures caused the ratio of selling, general and administrative expenses to decrease .51 to 18.44%. The ratio of selling, general and administrative expenses to sales declined 1.32 to 18.95% in 1980 as a result of sales gains and programs instituted in late 1979 to control expenses.





BEST AVAILABLE COPY

Interest and Imputed Interest Expense

Interest expense, which rose 11.6% in 1982 principally due to the sale of commercial paper, was up 2.9% in 1981 after increasing 27.2% in 1980, primarily because of unsecured debt financings in 1979. Imputed interest expense on capital lease obligations declined 7.4% in 1982, following gains of 2.5% in 1981 and 4.7% in 1980, reflecting a trend toward lower utilization of capitalized leases.

Income Taxes

The effective federal and state income tax rates of 42.8% in 1982, 43.6% in 1981 and 41.7% in 1980 were below the 46% federal statutory tax rate, primarily because of investment tax credits.

Net Earnings

(Thousands)

QUARTERS	1982	% Gain	1981	% Gain	1980	% Gain*
First	$ 9,515	28.4	$ 7,408	24.1	$ 5,971	(5.4)
Second	35,169	12.5	31,255	28.9	24,247	5.3
Third	36,833	16.6	31,581	18.0	26,770	11.3
Fourth	26,534	17.3	22,616	15.9	19,518	50.3
TOTAL	$108,051	16.4	$92,860	21.4	$76,506	15.2

*Pro forma, 1979

In 1982, earnings increased due to gains from the new Gasoline Supply Division and increases in operating profits in the Stores and Special Operations Groups. Earnings gains for 1982 were decreased because of lower interest income resulting from reduced levels of invested cash at lower average yields than in 1981. Lower 7-Eleven gross margins and declining gasoline margins also affected earnings. The Champaign Distribution Center, Tidel Systems and Chief Auto Parts significantly improved their performance in 1982 over the losses experienced in 1981 and 1980. The increase in 1981 earnings was due to a sales gain, an improvement in gross margins on convenience store merchandise, a decline in the ratio of selling, general and administrative expenses to sales and a significant increase in interest income from short-term investments. In 1980, total sales were strong, and although dairy and 7-Eleven margins, excluding gasoline, remained firm, the rate of increase in buying and occupancy expenses, as well as selling, general and administrative costs, held down the earnings gain.

Earnings Per Share

Primary

QUARTERS	1982	% Gain	1981	% Gain	1980	% Gain*
First	$ .27	28.6	$ .21	23.5	$ .17	(15.0)
Second	.99	12.5	.88	29.4	.68	(4.2)
Third	1.03	15.7	.89	17.1	.76	5.6
Fourth	.73	15.9	.63	14.5	.55	52.8
TOTAL	$3.02	15.7	$2.61	20.8	$2.16	8.5

*Pro forma, 1979

Primary earnings were computed on the basis of 35,772,689, 35,513,515 and 35,460,071 average shares for the years 1982, 1981 and 1980, respectively.

Diluted

QUARTERS	1982	% Gain	1981	% Gain	1980	% Gain*
First	$ .26	23.8	$ .21	23.5	$ .17	(10.5)
Second	.96	12.9	.85	28.8	.66	(4.3)
Third	1.00	16.3	.86	17.8	.73	1.4
Fourth	.72	16.1	.62	14.8	.54	54.3
TOTAL	$2.94	15.7	$2.54	21.0	$2.10	8.8

*Pro forma, 1979

Diluted earnings were computed on the basis of 36,970,068, 36,899,129 and 36,875,263 average shares for the years 1982, 1981 and 1980, respectively.

Liquidity and Capital Resources:

A company's liquidity is determined by its ability to generate adequate amounts of cash to meet both its short and long-term needs through internal and/or external sources. Due to the nature of Southland's business, approximately 80% of total sales are cash transactions, and receivables are rapidly converted into cash. In addition, the value of a substantial percentage of the inventories, determined by the LIFO method, is $64.0 million less than the FIFO cost of such inventories.

In December 1982, Southland entered into a $150 million, three-year revolving credit agreement. The agreement converts into a four-year term loan after the revolving period. The revolver, which also acts as the backup line for Southland's commercial paper, along with Southland's internally generated funds from operations, provides sufficient resources to meet its liquidity needs.

The following financial indicators also should be considered in evaluating Southland's liquidity.

	1982	1981	1980
Working Capital (Millions)	$85.9	$135.6	$175.0
Current Ratio	1.16	1.27	1.44
Inventory Turnover	13.3	12.4	11.6

The declines in working capital and in the current ratio reflect a deployment of surplus cash into fixed assets and the decision to fund cash needs by use of commercial paper and the revolving credit agreement rather than by a larger debt or equity offering. This funding decision, which provides ready access to cash, minimizes interest costs but keeps cash and short-term investment balances, a substantial portion of working capital in 1981 and 1980, at relatively low levels.

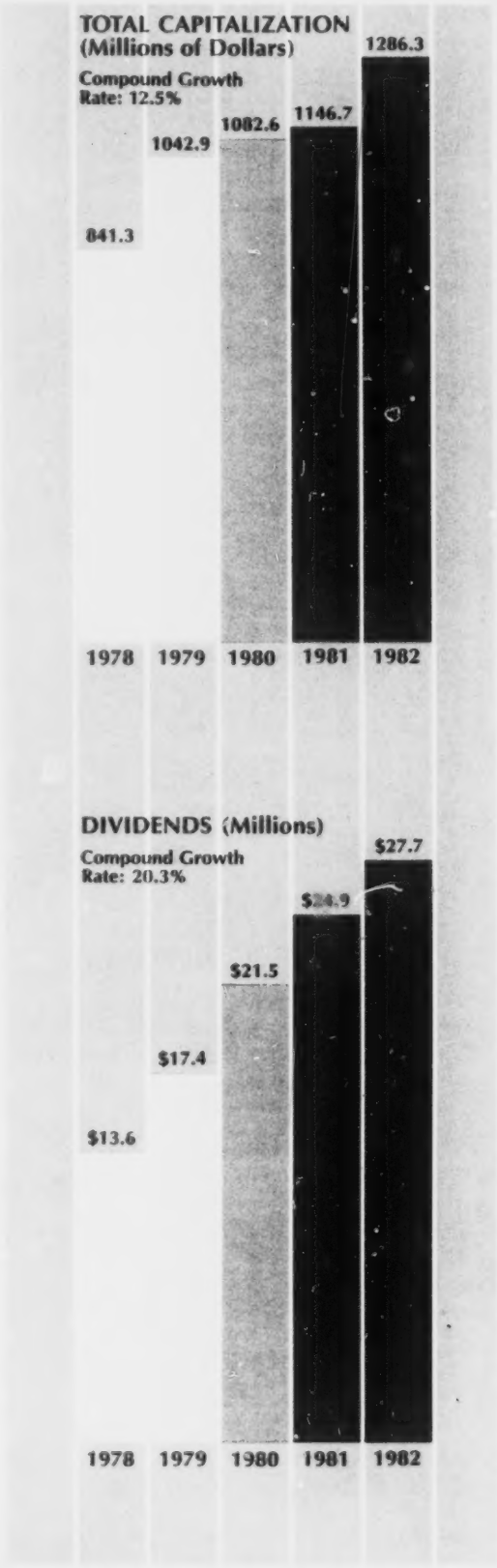
Capital spending plans include major investments to strengthen the Company's leadership position in the convenience store business and expand other operations. Investments in property, plant and equipment for the three years were:

(Millions)	1982	%	1981	%	1980	%
Stores Group	**$184.7**	**55**	$150.3	67	$ 92.1	80
Dairies Group	**16.0**	**5**	14.2	6	9.7	9
Special Operations Group	**11.1**	**3**	11.5	5	10.7	9
Gasoline Supply Group	**15.7**	**5**	14.7	7	—	—
Corporate	**109.8**	**32**	33.2	15	2.0	2
TOTAL	**$337.3**	**100**	$223.9	100	$114.5	100

Capital spending in 1982 accelerated as the depressed economy provided additional opportunities to purchase prime corner sites for 7-Eleven stores. Additional office facilities as well as land adjacent to the corporate office were also purchased. In 1981, Southland increased its capital expenditures, primarily for 7-Eleven stores and sites, remodeling of existing facilities, and for additional land and office space adjacent to the corporate office complex. In 1980, Southland reduced capital expenditures as a response to unfavorable economic conditions, high interest rates and the establishment of more exacting 7-Eleven store site selection criteria designed to improve return on investment. Increased cash flow from operations helped finance each year's capital expenditures. Additional needs were provided by an offering of 2 million shares of common stock and $75 million of 9½% unsecured debentures in August 1979.

During 1983 and 1984, Southland expects capital expenditures to be near 1982 levels and anticipates additional financings. The Company, however, closely monitors and controls the level of its capital outlays and has the flexibility to adjust these expenditures as it did in 1980.

Southland utilizes both capital and operating leases and considers them to be valuable assets and essential to its operations. Capital lease obligations have fallen during the period, although operating lease rentals have increased substantially. Southland plans to continue using both methods of leasing.



BEST AVAILABLE COPY

During 1982, $10.9 million of the 5% convertible debentures were converted to common stock. Also during the year, approximately $5.9 million of Southland's outstanding debentures were repurchased on the open market for use in fulfilling future sinking fund requirements. The effect on the Company's capital structure of record earnings, dividends paid, capital leases, debt financings and the above transactions during the period was:

(Millions)	1982	%	1981	%	1980	%
Long-Term Debt	$ 386.3	30.0	$ 320.9	28.0	$ 312.5	28.9
Capital Lease Obligations	196.7	15.3	213.6	18.6	224.8	20.8
Shareholders' Equity	703.3	54.7	612.2	53.4	545.3	50.3
TOTAL	$1,286.3	100.0	$1,146.7	100.0	$1,082.6	100.0

In summary, Southland's financial condition has supported its growth through an advantageous combination of debt, equity and lease financing. The ratio of shareholders' equity to total capitalization has improved over the period, and the ratio of long-term debt to total capitalization is an indicator of the Company's ability to secure its debt requirements at competitive rates.

The Company's public unsecured sinking fund debentures are rated "A2" by Moody's, "A" by Standard and Poor's and "6" by Duff and Phelps. Its commercial paper was recently upgraded to "P-1" by Moody's and is rated "A-1" by Standard and Poor's and "1" by Duff and Phelps.

EFFECTS OF INFLATION

Refer to pages 29 and 30 — Supplementary Inflation Data (Unaudited).

OTHER FINANCIAL DATA

Dividends

The Company not only has followed a policy of reinvesting a major portion of net earnings to meet its growth objectives, but also has declared cash dividends each of the past 26 years and raised the annual rate 11 times in the past 12 years.

Dividends Paid Per Common Share

CASH: QUARTER	1982	1981	1980
First	$.19	$.16	$.14
Second	.19	.18	.16
Third	.19	.18	.16
Fourth	.20	.18	.16
TOTAL	$.77	$.70	$.62
STOCK:	—	—	3%

The annual dividend rate for 1982 rose 10.5% to 77 cents following increases of 12.9% to 70 cents in 1981 and 14.8% to 62 cents in 1980. In December 1982, the Board of Directors increased the dividend 8.6% from 77 cents to 84 cents, with the new rate effective the first quarterly payment in March 1983.

Profit Sharing and Pension Plans

The Company contributes to The Southland Corporation Employees' Savings and Profit Sharing Plan, established in 1949, and to various union pension plans. Eligible employees have the option of joining Southland's voluntary contributory plan. Company contributions to this fully funded, trustee-administered plan are based on earnings before federal income taxes. All required contributions to such plans have been made.

Employee Stock Ownership Plan

Effective January 1, 1983, the Company adopted the Southland Employee Stock Ownership Plan (the ESOP). Contributions to the ESOP result in a federal tax credit. They can be made by the Company in either cash or shares of common stock and are limited to a percentage (for 1983, .5%) of the aggregate compensation of the participants. Contributions are allocated to all participants equally.

Market Data

Southland's common stock is traded under the symbol SLC on the New York, Pacific, Boston and Philadelphia Stock Exchanges. The price/earnings ratios are based upon primary earnings per share for the four preceding quarters, using pro forma earnings for 1979 only.

QUARTERS	Price Range		Price/Earnings Ratio	
1982	High	Low	High	Low
First	21	17	8.0	6.5
Second	22⅝	19⅛	8.5	7.3
Third	26⅛	20⅛	9.5	7.3
Fourth	31½	24⅜	10.8	8.4
1981				
First	18⅞	13⅜	8.7	6.3
Second	18¼	16⅛	8.3	7.3
Third	20¼	16½	8.6	6.9
Fourth	23⅜	19	9.2	7.5
1980				
First	19½	11⅞	9.8	6.0
Second	15⅜	11⅛	7.7	5.8
Third	16⅜	12⅜	8.5	6.5
Fourth	15⅝	12⅜	8.1	6.4

THE
SOUTHLAND
CORPORATION

JOHN P. THOMPSON, Chairman

October 1, 1983

Mr. John F. Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, California 94595

Dear John:

Once again, I was pleased to receive the Dollars Per Day Survey, and look forward to reading it in detail.

If I have comments at a later date, I'll be back in touch with you. In the meantime, the best of everything to you, both personally and in business.

Very sincerely yours,

John P. Thompson

JPT:ml

2828 NORTH HASKELL AVENUE · BOX 719 DALLAS, TEXAS 75221 · 214 828 7111

Historical Summary: Circle K

Data Taken from the Annual Report
for the Year

Inventory Accounting: LIFO

	1st Survey	2nd Survey	3rd Survey	4th Survey	5th Survey	6th Survey	7th Survey	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
	Year Ended												
	4/30/71	4/30/72	4/30/73	4/30/74	4/30/75	4/30/76	4/30/77	4/30/78	4/30/79	4/30/80	4/30/81	4/30/82	4/30/83
CIRCLE K **El Paso, Texas**													
Number of Stores	536	678	826	947	1,024	1,049	1,070	1,105	1,158	1,200	1,194	1,211	1,221
Store Growth in Year	113	142	148	121	77	25	21	35	53	42	-6	17	10
Store Days	175,074	221,626	274,554	323,633	359,746	379,359	386,728	396,920	412,971	431,514	435,810	442,015	443,835
Sales per Day	$535	$582	$588	$592	$634	$598	$634	$714	$799*	$883	$957	$1,003	$1,038
Sales Growth $DPD	$+28	$+47	$+6	$+4	$+42	—	$+36	$+80	$+25	$+84	$+74	$+46	$+35
Pretax Profit $DPD	$33.39	$33.09	$31.35	$27.59	$25.15	$24.99	$33.39	$38.82	$47.53	$73.47	$61.33	$60.75	$54.43
After Tax Profit $DPD	$16.54	$17.72	$16.41	$14.68	$13.11	$13.50	$17.87	$20.63	$25.85	$39.28	$32.95	$33.41	$29.94
Store Closures	3	6	12	21	12	24	24	12	24	22	28	8	10
Gasoline Units			437	510	516	548	601	642	681	726	753	780	798
$DPD Ranking	1/10	1/10	1/10	3/13	7/13	6/13	1/13	2/13	1/13	1/13	2/12	2/11	4/12

BASIS FOR PROFIT PER DAY DETERMINATION

Operated 1,221 Circle K stores on April 30, 1983 in 12 states.

1. Food Store Sales were $460,500,000

2. Store Days:
   Store days of stores open year-round: 1,211 x 365 = 442,015
   Store days for new stores figured for 1/2 year only 10 x 182 = 1,820
   Total Store Days 443,835

3. Sales per Store per Day:
   Sales of $460,500,000 divided by 443,835 store days equals average sales of $1,038 per store per day for the year. Store sales do not include gasoline sales.

4. Pretax Profit:
   We have eliminated the loss on the sale of Nucorp stock of $3,675,000 in making the $DPD computations for Circle K. Without this, pretax income for Circle K is $24,158,000. Pretax profits of $24,158,000 have been divided by store days of 443,835 to arrive at a pretax profit of $54.43 per store per day.

5. After Tax Profit:
   We have assumed after tax profit would be 55% of pretax profit. After tax profits of $13,286,900 have been divided by store days of 443,835 to arrive at an after tax profit of $29.94 per store per day.

6. New Stores Planned: 30 new stores.

7. 118 stores are operated by contract operators and the sales are included. This number decreased by 32 stores from the previous year.

TO OUR SHAREHOLDERS

THE CIRCLE K CORPORATION

The past year has been a gratifying year for Circle K which again points to the convenience store industry being somewhat immune to recessions. Sales were $747.8 million, up $21 million or 2.9 percent over the preceding year, and net earnings reached $15.2 million or $1.37 per common share.

Merchandise sales rose 3.9 percent to $460.5 million. As the rate of inflation decreased during the year, especially in the price of food and gasoline, sales gains, in comparison to prior years, presented challenges not only to Circle K but to the industry as a whole. To meet these challenges, an aggressive marketing and advertising program was introduced. The program was designed around a more competitive pricing posture on selected items such as milk, cigarettes, beer and an increase in seasonal promotions and advertising. The use of multimedia advertising tailored to specific market areas was initiated to inform the consumer of Circle K's new marketing position. The results were encouraging and the program has been expanded and will continue to develop throughout the year.

Self-service gasoline sales continued to be strong in spite of lower retail prices. Gallons sold increased 10.6 percent reaching 255 million gallons, however, profits were less because of lower cents per gallon margins, a result of an over supplied market and the competitive position taken by gasoline marketers.

Capital expenditures exceeded $18.8 million as we continued to up-grade and remodel older profitable stores, replace outmoded equipment and improve production facilities. Our new commissary was completed and brought on stream in January 1983. Presently over 550 stores are being provided with our new "Deli-Fresh" line of quality sandwiches and other fast food items, and results have been excellent. By the end of the current year all stores will be included in the program.

Chairman of the Board Fred Hervey (left), and Robert E. Hutchinson, President.

The future of the convenience store business is bright and we intend to improve our position as a leader in the industry. To demonstrate this we have included an increase of $7.0 million in capital expenditures planned for the current fiscal year. The planned expenditures call for an accelerated program to remodel existing profitable stores, an aggressive program to acquire new locations on prime corners in growth areas and to replace outmoded equipment.

Annual dividends were raised to 74 cents per share in August 1981 and have been maintained at that level since. Our desire is to continue to pay ever increasing dividends

to shareholders by increasing annual earnings while maintaining capital to finance the expansion and growth of the Company.

Circle K has actively and enthusiastically supported a variety of national and community causes. Employees, contract operators, shareholders, suppliers, and customers have raised funds for the Muscular Dystrophy Association and have supported Boys and Girls clubs, YMCA, YWCA, Boy Scouts and other organizations at the community level. One on-going Arizona project is to fund school dental care and prevention activities, especially in lower income areas which would have been dropped because of lack of local, state and Federal funds. The results have been gratifying and are an example of the recognition of our corporate responsibilities.

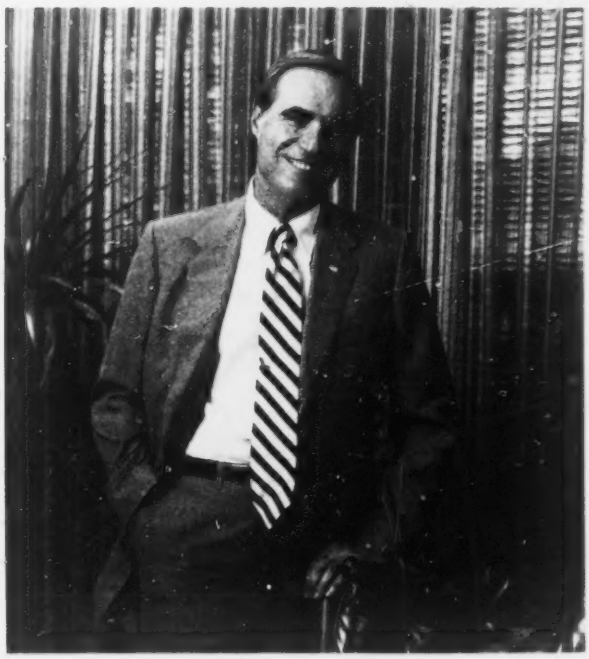
Our secure financial position, dedicated personnel and improving economic conditions enable us to meet the challenges of the future. We are confident that our strengths provide the foundation for increased growth.

Fred Hervey

Fred Hervey
Chairman of the Board

Robert E. Hutchinson

Robert E. Hutchinson
President



Karl Eller

Effective July 1, 1983, Fred Hervey announced that Karl Eller would assume the position of Chairman of the Board and Chief Executive Officer of The Circle K Corporation. Mr. Eller has been a member of the Board of Directors since January, 1983.

Mr. Hervey, in making the announcement said, "I have put thirty two (32) years into the development of Circle K, and it is time for me to turn things over to someone who can carry the company into its next generation of growth. I don't know anyone who has demonstrated better ability to manage growth and expansion than Karl Eller."

Mr. Hervey will continue to serve as a member of the Board of Directors and will assist Mr. Eller in the operation of the company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE CIRCLE K CORPORATION

RESULTS OF OPERATIONS

Sales established all time highs in each of the past three years.

	1983		1982		1981	
	(Dollars are in Millions)					
	Sales	% Gain	Sales	% Gain	Sales	% Gain
Grocery	$460.5	3.9%	$443.0	6.2%	$417.2	9.4%
Gasoline	287.3	1.4%	283.4	24.8%	227.1	49.5%
	$747.8	2.9%	$726.4	12.8%	$644.3	20.9%
Total Number of Stores	1,221		1,211		1,194	

For the five year period ended April 30, 1981, the Company experienced annual increases in revenues of approximately 20%. In 1982, the economic recession began to affect the Company's markets and the rate of growth in sales declined from 20.9% in 1981 to 12.8% in 1982 and to 2.9% in 1983.

In order to mitigate recessionary pressures and the effect of increased competition, the Company more competitively priced higher traffic items, such as beer, milk, bread, soft drinks, cigarettes and gasoline, and the Company has expanded its product mix to include a wider variety of fast food items.

Gasoline is the largest single product category in the product mix, accounting for 38.4%, 39.0% and 35.2% of total sales in 1983, 1982, and 1981, respectively. The following table summarizes gasoline sales in dollars and gallons and the number of stores dispensing gasoline for the past three years (in millions except the number of stores):

	1983	% Gain	1982	% Gain	1981	% Gain
Sales	$287.3	1.4	$283.4	24.8	$227.1	49.5
Gallons	255.2	10.6	230.7	19.8	192.5	24.8
Number of stores	798		768		741	

The number of gallons sold increased in each of the three years as a result of the Company's competitive pricing policies and the increased number of stores dispensing gasoline; however gasoline revenue did not increase as rapidly because of lower retail prices resulting from an over supply of oil products and the highly competitive position taken by gasoline marketers.

Gross profits as a percentage of sales were 23.2% in 1983, 23.3% in 1982, and 24.2% in 1981. Circle K's gross profits excluding gasoline were higher in each of the three years due largely to increased sales of higher margin products such as fountain drinks, fast foods, candy and snack items and Company produced items such as soft drinks, deli-style sandwiches and ice. Increased gasoline sales, a high volume, fluctuating gross profit product, caused total margins to decline.

Total operating and administrative expenses increased 5.9% in 1983, 11.6% in 1982 and 9.8% in 1981. Inflation, which impacted operating expenses such as wages and associated payroll costs and utilities, were the main cause for 1982 and 1981 increases. Programs instituted in 1982 to control the rate of increases in operating and administrative expenses have taken effect and the increase was held to less than six percent in 1983.

Net earnings were $15.2 million in 1983, a loss of $15.3 million in 1982 and net earnings of $14.4 million in 1981. Primary earnings per share were $1.37 in 1983, a loss of $1.48 in 1982 and earnings of $1.46 in 1981.

The loss of $15.3 million resulted from the writedown of the Company's interest in Nucorp Energy, Inc. (Nucorp). In September 1980, the Company purchased a 13.2% interest in Nucorp in an effort to ensure itself of a stable supply of gasoline. At April 30, 1982 and 1981, the Company owned a 12.4% and 12.3% interest, respectively.

In 1981, the investment in Nucorp was accounted for on the equity basis, since three Directors of the Company were also Directors of Nucorp. During March 1982, a Director of the Company, who was also one of Nucorp's Directors, resigned from the Company's Board of Directors. Accordingly, the Company changed from the equity to the cost basis of accounting for its investment in Nucorp.

Nucorp experienced financial difficulties and reported net losses of $15,220,000 and $24,908,000 for the three months ended December 31, 1981 and March 31, 1982, respectively. In addition, Nucorp's Report of Independent Public Accountants dated February 22, 1982 was qualified with respect to uncertainty about the recoverability of recorded asset amounts and the loss, if any, that may be incurred in connection with the deferral of construction of a new plant. As a result, the Company concluded that the carrying value of its investment in Nucorp had been permanently impaired and reduced the carrying value of its investment by $30,059,000 to the current quoted market price of $1.75 per

share at April 30, 1982. The reduction in carrying value was not deductible for tax purposes in fiscal 1982, and therefore no tax benefit was recognized.

In January 1983, the Company sold its Nucorp stock which resulted in a loss of $3,675,000 for financial reporting purposes and a loss of approximately $27,800,000 for tax purposes. For the year ended April 30, 1983, a tax benefit of $3,900,000 has been recognized for financial reporting purposes.

LIQUIDITY AND CAPITAL RESOURCES

	1983	1982	1981
	(Dollars are in Thousands)		
Current Assets	**$74,246**	$65,862	$68,527
Current Liabilities	**$54,280**	$42,478	$50,764
Current Ratio	**1.37**	1.55	1.35
Long-Term Debt (including capital leases)	**$40,548**	$55,615	$63,675
Equity	**$68,474**	$61,348	$70,359
Long-Term Debt to Equity Ratio	**.59**	.91	.91

Liquidity is a company's ability to generate sufficient cash flow to meet short and long-term needs. Due to the nature of Circle K's business, most sales are for cash and any receivables are rapidly converted to cash. The Company's working capital increased by $5.6 million in fiscal 1982 and would have increased by over $10 million in fiscal 1983 had the Company not decided to repay a $13.4 million dollar note in early fiscal 1984, more than four years prior to maturity, which is classified as a current obligation in the balance sheet as of April 30, 1983. The decision to repay the note resulted in a decrease in working capital of $3.4 million.

The improvement in the long-term debt to equity ratio and the decrease in the current ratio in 1983 compared to 1982 is the result of the Company's decision to repay the note as described in the preceding paragraph.

At June 30, 1983 the Company had $66,000,000 available in unsecured lines of credit and similar agreements with interest rates approximating prime, as determined by the participating lending institutions at the time of borrowing. At April 30, 1983, the Company had not drawn against these lines. The Company considers its internally generated cash flow sufficient to meet the normal working capital requirements of its operations.

Capital spending plans include investments to strengthen the Company's position in the convenience store business and to develop and expand operations. Investment in property, plant and equipment for the three year period was $18,887,000 in 1983, $21,309,000 in 1982 and $15,649,000 in 1981. The reduction in 1983 was due to unfavorable economic conditions.

During the current year, the Company plans to increase its capital expenditures to expand the operational base by accelerating both the remodeling of older stores and a more aggressive posture in the selection of new stores sites. For 1984, the Company expects to spend approximately $18 million for land, buildings and equipment for new store construction and approximately $8 million for existing store equipment and remodeling.

The Company plans to finance these expenditures with internally generated funds and bank borrowings. The Company also contemplates the issue of additional securities the exact nature, timing and amount of which has not yet been determined.

The Company has historically entered into lease agreements for substantially all of its stores and other properties. The Company's policy has been to limit its investment in land and buildings in the belief that its capital may be more profitably employed in store operations. All leases are capitalized in accordance with Financial Accounting Standards Board Statement No. 13 (SFAS No. 13). The Company considers these leases to be valuable assets and an integral component of its capital structure.

INFLATION IMPACT

Information on the effects of changing prices is presented in the Supplementary Information included in the Consolidated Financial Statements.

Excerpt from *The Wall Street Journal*, March 17, 1983

THE WALL STREET JOURNAL, Friday, October 7, 1983

Circle K to Purchase Convenience Stores For $225 Million

By a WALL STREET JOURNAL *Staff Reporter*

PHOENIX, Ariz.—Circle K Corp. agreed in principle to purchase UtoteM Inc., a Cincinnati-based operator of 960 convenience stores, for $225 million in cash and notes.

The purchase of UtoteM, a unit of closely held American Financial Corp., would bring to more than 2,000 the number of convenience stores Circle K owns. It would be the company's largest acquisition since announcing its plans to expand and diversify in July.

American Financial, owned by investor Carl H. Linderman, owns about 15% of Circle K common stock. Under the agreement, it would boost its stake to about 25%, assuming conversion of Circle K securities it currently holds and conversion of preferred stock involved in the transaction.

American Financial began boosting its stake in Circle K last March through open-market purchases.

Karl Eller, Circle K chairman and chief executive officer, began orchestrating the company's expansion and diversification immediately after taking over the company from its founder, Fred Hervey, in July.

Circle K, which operates about 1,200 convenience stores, also said its board would be expanded to include two representatives of American Financial.

Circle K has about 11.1 million common shares outstanding. Given conversion of all securities involved in the sale, Circle K would have about 16 million shares outstanding, the company said.

In trading on the American Stock Exchange yesterday, Circle K stock closed at $22.25, up 25 cents.

Mr. Eller said the UtoteM stores wouldn't immediately begin operating under the Circle K name. He also said changes aren't planned in the management operation of UtoteM or Circle K.

In Cincinnati, American Financial officials couldn't be reached for comment.

14 THE WALL STREET JOURNAL
Thursday, March 17, 1983

American Financial And Chairman Lindner Boost Stake in 2 Firms

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON – American Finanacial Corp. and its chairman, Carl H. Lindner, said they boosted to 8.4% from 7.2% their joint stake in Sunshine-Jr. Stores Inc.'s common shares as an investment.

Historical Summary: Lil' Champ

Data Taken from the Annual Report for the Year

Inventory Accounting: LIFO (Except Gasoline)

	1st Survey	2nd Survey	3rd Survey	4th Survey	5th Survey	6th Survey	7th Survey	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
							Year Ended						
			4/28/73	4/27/74	5/3/75	5/1/76	4/30/77	4/29/78	4/28/79	5/3/80	5/2/81	5/1/82	4/30/83
LIL' CHAMP Jacksonville, Florida													
Number of Stores		15	59	80	94	100	108	122	130	138	148	162	170
Store Growth in Year			44	21	14	6	8	14	8	8	10	14	8
Store Days			13,527	25,378	32,270	35,308	37,964	41,860	45,864	49,710	52,052	56,420	60,424
Sales per Day			$525	$505	$541	$532	$553	$550	$544	$612	$682	$736	$828
Sales Growth $DPD				$ -20	$ 9	$ -9	$+21	$ -3	$ -6	$+68	$+70	$+56	$+92
Pretax Profit $DPD			$42.02	$41.11	$36.50	$32.19	$32.36	$33.44	$37.23	$44.17	$44.39	$48.25	$51.68
After Tax Profit $DPD			$18.59	$21.36	$19.26	$16.76	$17.04	$18.57	$20.61	$23.60	$24.57	$27.47	$29.44
Store Closures						1	4	0	0	0	0	0	0
Gasoline Units							20	25	31	32	44	66	82
$DPD Ranking			Not Included	2/13	1/13	2/13	2/13	4/13	5/13	4/13	5/12	5/11	5/12

BASIS FOR PROFIT PER DAY DETERMINATION

1. The annual report states that merchandise sales were $50,005,000.

2. Store Days:
   Store days of stores open all year 162 x 364 = 58,968
   Store days of new stores figured for 1/2 year only 8 x 182 = 1,456
   Total store days 60,424

3. Sales per Store per Day:
   Sales of $50,005,000 divided by 60,424 store days equals sales of $828 per store per day.

4. Pretax Profits:
   Pretax profits of $3,123,000 divided by 60,424 store days equals a pretax profit of $51.68 per day.

5. After Tax Profits:
   After tax profits of $1,779,000 divided by 60,424 store days results in an after tax profit of $29.44 per store per day.

6. Twenty nine stores open 24 hours a day.

7. Video commissions of $267,120 equals $4.42 per store per day.

To Our Shareholders:

Lil' Champ has once again recorded an excellent year of growth in all areas. Sales, profitability, earnings per share and shareholders' equity all rose substantially during fiscal 1983, a year of transition from recession to recovery. Our program of continuing expansion resulted in the successful opening of eight new stores funded in large part from earnings and cash flow.

Sales rose to $63,523,000 from the $49,753,000 of the previous year while net income and earnings per share increased to $1,779,000, or $1.53 per share, from $1,550,000, or $1.33 per share. Earnings per share have been adjusted to reflect our three-for-two stock split distributed in January 1983 and the 5 percent stock dividend paid in December 1981.

The economies of our North and Central Florida territories held up remarkably well in comparison to the rest of the nation during the recession and the pickup in the national economy began to show up in our results during the last few months of the past fiscal year. The improvement augurs well for the current fiscal year and beyond.

However, as you know, national economic cycles over the past few decades have tended to grow shorter in duration. This plus numerous national economic uncertainties, including interest rates capable of large changes over relatively short periods of time, place a premium on experienced, aggressive management with a financially conservative orientation. We continue to emphasize tight operational and financial controls as well as quick-response margin maintenance.

Our steady, balanced growth has enabled us to continue to upgrade our already high-quality stores, personnel and inventory while reducing markups to increase price competitiveness and gross profitability. We continue to stress increased sales of gasoline, which while carrying lower margins than other items improves store traffic and overall profit.

It is Lil' Champ's emphasis on quality and sound growth which has made it possible to maintain its status as the Cadillac of the convenience-store industry. We expect to continue that emphasis and to refuse to press for growth in number of units at the expense of profitability—the only true measurement of disciplined and efficient management.

The improved economic climate bears bright promise for fiscal 1984. We look forward to making even greater progress in the current year than in the year just past both in number of store openings and in the overall quality of our operations. As always, however, we will maintain both our basically conservative posture and our dedication to steadily increasing profits.

Julian E. Jackson
Chairman and President

There was an overall increase in operating expense of 15% over 1982 and 39% over 1981. This increase was due primarily to the increase in number of stores as well as the increase in borrowings. Increases by various components are shown below:

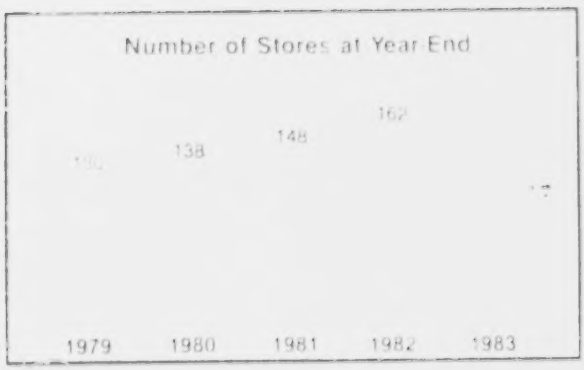
	1983 over	
	1982	1981
Stores operating expenses	14%	36%
General and Administrative expenses	14%	47%
Interest expense	70%	167%

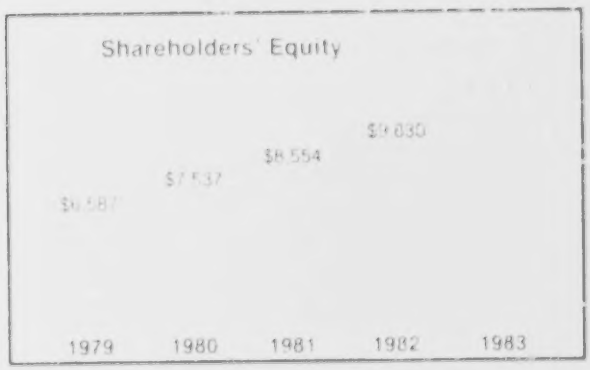
In order to continue our expansion program, an 8½% mortgage (balance $361,000 at the end of fiscal 1982) due in September 1982 was renegotiated for an additional 5-year period, with the interest rate changed to the prime rate. In addition, the long-term unsecured loan agreement with the Florida National Bank was increased to $3,000,000 of which $1,550,000 had been drawn at the end of the current fiscal year.

During the fiscal year 1983, gross expenditures for land, new buildings and equipment amounted to $4,293,000. Several completed buildings were sold and leased back and the company disposed of excess real estate. Total dispositions amounted to $2,192,000 for a net increase amounting to $2,101,000. The net increase was partially financed with $900,000 additional funds drawn against the long-term unsecured loan agreement as well as existing mortgage notes amounting to $312,000 for the purchase of three pieces of real estate. All structures sold were leased back on favorable terms.

Cash dividends paid per share in each of the fiscal years 1983, 1982 and 1981 were respectively 26 cents, 23 cents and 23 cents, adjusted to reflect the three-for-two stock split distributed in January 1983 and the 5% stock dividend paid in the fiscal years 1982 and 1981.

Shareholders' equity at the end of fiscal year 1983 increased $1,473,000 over fiscal year 1982. Book value per share at the end of fiscal year 1983 amounted to $9.71 as compared to $8.45 at the end of the previous fiscal year. Both these values are based on actual shares outstanding adjusted for the stock split and stock dividends.





BEST AVAILABLE COPY

Management's Discussion and Analysis Of Financial Condition and Results of Operations

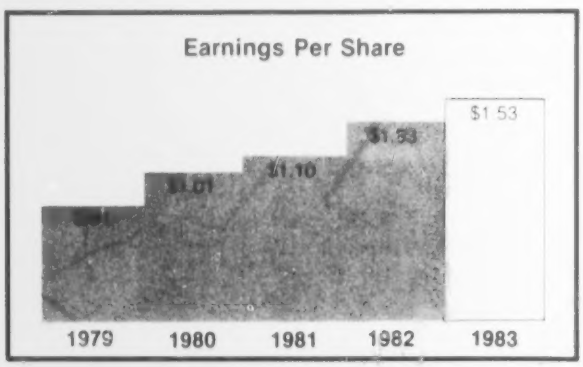
Sales continue to show dramatic increases, establishing new records each of the last three years. Sales for the fiscal year 1982 increased 32% over fiscal year 1981 and sales for the fiscal year 1983 increased 28% and 69% over 1982 and 1981 respectively. The opening of 8 new stores, all of which were equipped with gasoline dispensing equipment, plus the addition of gasoline dispensing equipment to 8 existing stores, played a substantial part in the sales increase. At the end of fiscal year 1983, there were 49 stores in which the Company owned gasoline dispensing equipment compared to 33 at the end of fiscal 1982. The number of non-company owned gasoline installations remained at 33, for a total of 82 stores at which gasoline is dispensed. This represents 48% of the stores in operation at the end of fiscal year 1983. Reassessment of the older locations for the possibility of the installation of gasoline dispensing facilities continues. This capability is given significance in the acquisition of new sites.

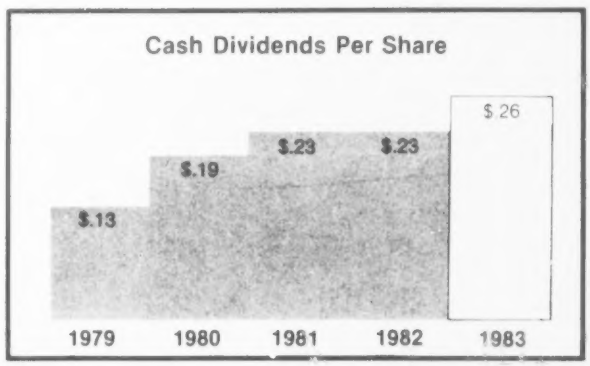
Other income for the 1983 fiscal year increased 16% and 59% over 1982 and 1981 respectively. Gasoline commission which represented 19% and 23% of other income during fiscal years 1982 and 1981 respectively represented only 14% during fiscal 1983. Gasoline commission from nonowned facilities for fiscal year 1983 declined 11% and ½% from 1982 and 1981 respectively. The gross margin from nonowned gasoline facilities, which is divided between the Company and the owner, reached its peak in fiscal 1980 and has been declining since. Commission from electronic games, which represented 20% and 15% of other income for the fiscal years 1982 and 1981 respectively, represented 24% for the fiscal year 1983. Commission from electronic games for the fiscal year 1983 increased 37% and 156% over 1982 and 1981 respectively. It is our belief that income from that source has reached a plateau, as there now exists strong competition from game rooms and home games.

The sales and gross profit (stated in thousands) by categories are as follows:

	1983	1982	1981
Sales			
In store	**$50,005**	$41,534	$35,496
Gasoline	**13,518**	8,219	2,143
Gross Profit			
In store	**$15,108**	$13,212	$11,295
Gasoline	**503**	346	111
% to Sales			
In store	**30.22%**	31.81%	31.82%
Gasoline	**3.72%**	4.21%	5.18%

The gross profit rate on in-store sales declined in 1983. However, the increased sales that accompanied the lower markup enabled us to increase the dollar factor. The highly competitive situation which exists in the gasoline market caused the decline in the gross profit rate in that commodity. Here again, the increased volume was translated into an increase in the dollar gross profit. The addition for the current year to the LIFO reserve reduced the gross profit percentage on in store sales .65% as compared to .50% and .85% for the fiscal years 1982 and 1981 respectively. The LIFO principle was first adopted in the fiscal year 1980 and has been used for in-store merchandise only. Gasoline inventory is valued using the FIFO method.





BEST AVAILABLE COPY

LIL' CHAMP
FOOD STORES

Lil Champ Food Stores, Inc.
POST OFFICE BOX 8989
JACKSONVILLE, FLORIDA 32239

Julian E. Jackson
President

September 23, 1983

Mr. John F. Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, California 94595

Dear John:

In reply to your letter of September 19th, I want to congratulate you on the fine job that you are doing in regards to the Dollars Per Day Survey. It is a very helpful tool, as it gives us an idea of what is going on with other Convenience Store Chains, such as ours.

I enjoy reading the Dollars Per Day Survey very much, and look forward to receiving the next Issue.

Keep up the good work!

Best wishes and kindest personal regards,

Julian E. Jackson

Julian E. Jackson

JEJ/gkw

Florida's Fastest Growing Food Chain

Historical Summary: Mini Mart

Data Taken from the Annual Report
for the Year

Inventory Accounting: LIFO

			7th Survey	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
			Year Ended						
	8/31/74	8/31/75	8/31/76	8/31/77	8/31/78	8/31/79	8/31/80	8/31/81	8/31/82
MINI MART **Hollywood, Florida**									
Number of Stores	108	120	122	128	119	115	112	114	110
Store Growth in Year		12	2	6	−9	−4	−3	+2	−4
Store Days		41,616	44,286	45,622	43,435	41,975	40,992	41,244	40,150
Sales per Day		$530	$480	$481	$565	$567	$670	$727	$705
Sales Growth $DPD			$−50	$+1	$+84	$+2	$+103	$+57	$ −22
Pretax Profit $DPD		$10.33	$8.94	$5.13	$2.52	$18.77	$33.62	$23.80	$32.41
After Tax Profit $DPD			$5.44	$3.11	$1.68	$11.21	$19.29	$13.17	$17.29
Store Closures		1	5	6	21	15	9	14	10
Gasoline Units			4	13	11	11	29	38	37
$DPD Ranking			11/13	12/13	12/13	12/13	7/12	8/11	6/12

BASIS FOR PROFIT PER DAY DETERMINATION

Operated 110 small food stores on August 31,1982 under the Mr. Grocer and "U-Tote-M" names.

1. The annual report states that total convenience store sales were $36,253,000.

2. Store Days:
   Store days of stores open all year 110 x 365 = 40,150

3. Sales per Store per Day:
   Sales of $28,313,593* divided by 40,150 store days equals average sales of $705 per store per day for the year.

4. Pretax Profit:
   The annual report states that convenience store operating profit is $1,453,000.
   We have reduced this by $151,500 for interest expense. Pretax profits of $1,301,500 have been divided by 40,150 store days to arrive at a pretax profit of $32.41 per store per day.

5. After Tax Profits:
   After tax profits for Mini Mart are 53.34% of pretax profits. After tax profits of $694,220 have been divided by 40,150 store days to arrive at an after tax profit of $17.29 per day.

6. Mini Mart opened 6 stores and closed 10 stores during the year. Thirty-three gasoline units have been added since 1976. Some of the sales of gasoline have been recorded in sales and some as commissions received. To eliminate the portion recorded as sales, we have reduced sales by 21.89%, which is the amount of the increase in the miscellaneous product category since 1977 as shown in the 10K. We have thus reduced sales by $7,939, 407 to obtain small food store sales of $28,313,593.

TO OUR SHAREHOLDERS:

Our financial statements for the year ending August 31, 1982, in spite of a slow National economy, showed an increase of approximately 12% in our earnings as compared to the previous year. Our net income, after taxes, was $732,835 or 40¢ per share for 1982 as compared to $656,875 or 36¢ per share for the preceding year. The revenues for the fiscal year ended August 31, 1982 were $37,047,341 as compared to $38,310,068 the previous year. We closed 10 stores and opened 6 new stores, a decrease of 4 operating stores.

We are proceeding with purchases of new locations, seeking primarily sites which are suitable for gasoline installations in conjunction with convenience store operations. Profit derived from gasoline sales operated with our convenience stores, though reduced from prior years, will cover a portion of our general overhead and fixed expenses, enabling us to survive in these times. Despite increases in utility costs, labor and other operating expenses, we feel that general conditions are changing sufficiently for the better to warrant optimism for the coming fiscal year. We continue to experiment with additional profit centers, such as fast foods and game machines, in an endeavor to stimulate overall revenues.

We thank our shareholders, directors, employees, and suppliers for their support of Mini Mart Corporation.

Sincerely,

Jack Fineberg, President
MINI MART CORPORATION

RECENT PRICE OF COMMON STOCK

The Company's stock is traded in the over-the-counter market. The range of high and low bid prices for such stock for each quarter during the past two years is as follows:

Fiscal Quarters	High Bid	Low Bid
9/1/80 to 11/30/80	1 1/2	1 3/8
12/1/80 to 2/28/81	1 1/2	1 1/4
3/1/81 to 5/30/81	1 1/2	1 1/4
6/1/81 to 8/31/81	1 3/4	1 1/4
9/1/81 to 11/30/81	1 3/4	1 1/4
12/1/82 to 8/31/82	1 1/2	1 1/4
3/1/82 to 5/30/82	1 3/4	1 1/2
6/1/82 to 8/31/82	1 3/4	1 1/2

Such information was obtained from the National Quotation Bureau, Inc.

As of August 31, 1982, there were approximately 450 record shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Revenues (Thousands of Dollars)

	1982	1981	1980
Net sales	$34,829.8	$36,594.0	$34,904.4
Fuel distribution and commissions	1,376.5	913.9	465.2
Gain from sale of properties	—	119.8	392.0
Other	841.0	682.3	595.1
	$37,047.3	$38,310.0	$36,356.7

Net Sales

The decrease in net sales for 1982 of 4.8%, when compared to 1981, was primarily due to the Company's further expansion of its fuel distribution arrangement with a major oil company. Due to the terms of this arrangement certain gasoline sales, which were included in net sales in prior periods, are no longer recognized. Under the terms of the arrangement, certain labor and operating costs of the Company are used to determine fuel distribution revenues. The decrease in gasoline sales was partially offset by a minimal increase in grocery sales. Increases in net sales for 1981 and 1980 result primarily from higher selling prices of convenience store items, partially offset by the effect of the fuel distribution arrangement mentioned above.

Fuel Distribution and Commissions

The Company's overall increase in fuel distribution and commissions during the past three years was due primarily to the continued expansion of the fuel distribution arrangement, as mentioned above. Increases in commissions in 1982 and 1981 are due primarily to commissions earned on video game machines. The costs associated with the fuel distribution arrangement are included in selling, general and administrative expenses discussed below.

Sale of Properties

The gain in 1981 was derived from the sale of parcels of property and miscellaneous store equipment. The gain in 1980 was derived principally from the sale of a strip shopping center.

Other

The increase in other income in each of the three years ended August 31, 1982 was primarily due to interest earned on short-term investments and increases in rental income recognized after the completion of construction of strip shopping centers.

Gross Margins

For 1982, the gross margin was 27.0%, as compared to 25.8% and 27.0% for 1981 and 1980, respectively. The increase in gross margin in 1982 was primarily attributable to the decrease in gasoline sales which have a lower gross profit and increased sales on high-margin products. The decrease in 1981 was due primarily to the change in 1981 from the FIFO method to the LIFO method of valuing inventories. The decrease in gross profit of 3.6% in 1980 was attributable primarily to the lower gross profit inherent in gasoline sales recognized for 1980.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased in each of the three years due primarily to increases in costs incurred under the terms of the fuel distribution arrangement discussed above. In addition, other operating costs, including wages and related payroll costs, have increased in line with inflation. This increase has been partially offset by the disposal of unprofitable stores.

Interest Expense

The increase in interest expense for 1982 when compared to the prior years, is primarily attributable to the increase in long-term debt related to a mortgage loan on one of the Company's shopping centers.

Net Income

The increase in net income for 1982 over 1981 of 11.5% is primarily due to a product mix in which higher gross profits are combined with the favorable effect of the fuel distribution arrangement. The decrease for 1981 when compared to 1980 resulted primarily from a large gain on the sale of properties in 1980 combined with the effect of adopting the LIFO method of inventory valuation in 1981. A substantial increase in net sales along with a large gain on sale of properties in 1980 resulted in a dramatic increase in net income over the prior year.

Liquidity

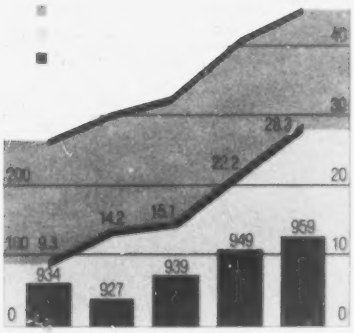
The Company continues in a strong financial position. It has further improved its liquidity by obtaining a $835,000, 12¾%, twenty five year mortgage loan on one of its shopping centers. This, and the fact that substantially all sales are for cash has contributed to the Company's high degree of liquidity. Additional funds are available from unused bank lines of credit which amounted to $5,000,000 at August 31, 1982. The Company does not expect any events, demands, or commitments to occur which will result in a material liquidity deficiency.

	1982	1981	1980
Working capital (In Thousands)	$2,432	$1,189	$1,850
Working capital ratio	1.9 to 1	1.5 to 1	1.6 to 1

The decline in working capital from 1980 to 1981 was due primarily to a 1.3 million dollar investment in construction of a strip shopping center in Boca Raton, Florida.

Capital Resources

The Company continues to pursue opportunities to expand its sales and earnings base. Capital spending plans include continued investments to strengthen Mini Mart's position in the convenience store business and to develop and expand its operations in line with customer demand. The Company plans remodeling and product expansion in order to increase the rate of return in its present stores and to develop more exacting site selection standards to increase return on investment from new stores. To provide the funding necessary for growth, Mini Mart will continue to utilize the most advantageous combinations of funds from operations, debt, equity, and lease financing.



UtoteM OPERATIONS
Thousands of Dollars

BEST AVAILABLE COPY

Historical Summary: Li'l General

Data Taken from the Annual Report
for the Year

Inventory Accounting: FIFO

	1st Survey	2nd Survey	3rd Survey	4th Survey	5th Survey	6th Survey	7th Survey	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
	Year Ended												
	12/26/70	12/25/71	12/30/72	12/29/73	12/28/74	12/27/75	12/25/76	12/31/77	12/30/78	12/29/79	12/27/80	12/26/81	12/25/82
LI'L GENERAL													
Florida													
Number of Stores	497	510	507	527	550	561	554	543	515	464	474	460	431
Store Growth in Year		13	−3	20	23	11	−7	−13	−26	−51	10	−14	−29
Store Days	181,405	183,784	188,604	188,715	196,014	202,202	201,656	200,711	187,460	168,896	170,716	167,440	156,884
Sales per Day	$340	$344	$386	$436	$474	$480	$512	$581	$683	$838	$916	$1,022	1,107
Sales Growth $DPD		$+4	$+43	$+50	$+38	$+6	$+32	$+69	$+102	$+155	$+78	$+106	+85
Pretax Profit $DPD	$6.35	$10.06	$11.32	$13.54	$14.90	$13.45	$8.12	$11.70	$15.72	$25.71	$13.30	$25.42	25.81
After Tax Profit $DPD	$3.18	$5.03	$5.66	$6.77	$7.45	$6.72	$4.06	$5.85	$7.86	$12.85	$6.65	$12.71	12.90
Store Closures			23	25	18	11	20	19	30	56	29	21	31
Gasoline Units						82	136	170	165	167	204	208	208
$DPD Ranking	7/10	8/10	9/10	12/13	9/13	11/13	12/13	11/13	10/13	10/13	10/12	7/11	7/12

BASIS FOR PROFIT PER DAY DETERMINATION

Operated 431 Little General stores on December 25, 1982. Little General is a division of General Host, a diversified company with total sales of $526,740,000 from continuing operations. Included in the Little General Stores Division are the sales and profits of 135 Hot Sam Pretzel Shoppes. These sales and profits have been included in this division for the last nine fiscal years.

1. Sales:
   Sales of the convenience stores division were reported as $181,791,000 in the annual report. We have arbitrarily assumed the average Hot Sam Pretzel Shoppe has annual sales of $60,000 and have thus subtracted $8,100,000 (135 x $60,000) from the total convenience store sales to arrive at Little General food store sales of $173,691,000.
2. Store Days:
   Store days of stores open all year: $431 \times 364 = 156{,}884$
   Total Store Days: $156{,}884$
3. Sales per Store per Day:
   Sales of $173,691,000 divided by 156,884 store days equals average sales of $1,107 per store per day for the year.
4. Pretax Profit:
   Operating profit of the convenience store division was $10,076,000. We have arbitrarily assumed the average Hot Sam Pretzel Shoppe had annual operating income of $6,000 and have thus subtracted $810,000 (135 x $6,000) to arrive at Little General operating income of $9,260,000. Operating income is stated before corporate administrative expenses and interest. Corporate administrative expense and interest are estimated at 3% of sales. We have reduced estimated operating income by 3% of sales or $5,210,730 as follows:

Little General operating income	$9,260,000
Less 3% of sales for corporate administrative expenses and interest	5,210,730
Estimated Little General pretax profit	$4,050,000

5. Pretax Profit per Store per Day:
   Little General's pretax profit of $4,050,000 divided by 156,884 store days equals pretax profit per store per day of $25.81.
6. After Tax Profit:

Little General pretax profit	$4,050,000
Less estimated 50% tax rate	2,025,000
*Estimated after tax profit for Little General	$2,025,000

   Little General after tax profits of $2,025,000 have been divided by 156,884 to arrive at an after tax profit of $12.90 per store per day.
   *General Host, Little General's parent company, does a lot of gymnastics with their lines of business and their financial reporting. On balance, we believe their profit to be lower than reported here. If the interest and unallocated administrative expense were distributed to the operating divisions on a percent of sales basis, Little General's share would be $6,981,051 instead of the $5,210,730 assigned here.
7. Firm commitments to open 20 new stores in 1983.
8. More than $500,000 of income from video games or $3.19 per store per day.

BEST AVAILABLE COPY

Little General Stores

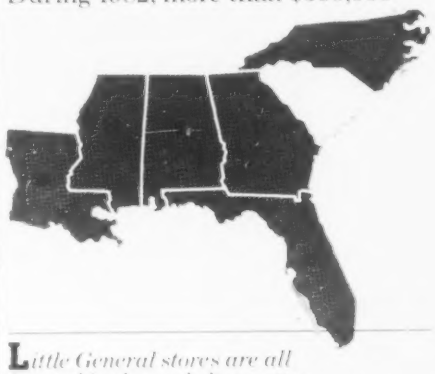
Little General Stores continued its upward trend by reporting a better than 12% increase in operating earnings for 1982 despite a weak retailing environment. This was achieved through a combination of improved merchandising programs and tight control of operating expenses, and despite decreases in gasoline margins and volume experienced by the total industry. In 1982, about 20% of Little General's operating income came from gasoline sold in the 208 stores equipped with self-service gasoline pumps. Of the 431 convenience stores in the system, about 90% are located in Florida, Louisiana and North Carolina, states with sound and growing economies, and thus excellent markets for convenience stores. In Florida, Little General operates stores in the major growth areas of the state.

The introduction of coin-operated electronic video games in Little General stores has become a significant profit producer for the company. Typically, players also purchase merchandise, adding to the profitability of the store.

The total number of stores declined this year as a result of a strategy designed to concentrate on the areas where the company has its greatest number of existing stores and where Little General has good market coverage. Little General sold 16 stores in the Pittsburgh area, which was remote from its base of operations and did not have a sufficient concentration of stores to justify the cost of supervision and control. In addition, the company also closed 15 unprofitable stores systemwide and opened two new stores. At present there are firm commitments for the opening of approximately 20 new stores in 1983, primarily in the high-growth markets of Florida and Louisiana. Most new stores will feature multi-hose gasoline pumps.

In the meantime, Little General continued its remodeling program by renovating 35 stores; a total of 88 have been remodeled since 1979 with another 60 targeted for the coming year. These units, which use new graphics and signage as well as new interior design and decor, demonstrate improved sales performance. Consumer surveys continue to reinforce the importance of store cleanliness, convenient location, ease of entry and exit and the offering of a good variety of top name-brand products. During the year, Little General continued to place strong emphasis on all of these factors.

A major source of new income for Little General this year was the installation of coin-operated video games in virtually all of its stores during the last half of 1982. Two game machines were installed in each store in specially designed alcoves away from the main flow of traffic, but within sight of the store manager to allow proper supervision of the activity. Many of the players also make merchandise purchases, thereby increasing overall store sales and profitability. While it is difficult to predict the long-term future of video games, it is clear from current traffic in the stores that, for the present, they are a significant source of income. During 1982, more than $500,000 of income was generated by the games without any capital investment because Little General licenses the installation of the machines and shares the profits with the distributors.



Little General stores are all located in the sunbelt, an area where the convenience store has achieved great popularity and the economy is stable and growing.

Apart from location, which is the single most significant factor in determining the profitability of a convenience store, the sales volume and mix of cold beverages and snack items are critical to a store's success. On average, 40% of a Little General store's sales come from cold beverages, including beer, wine, soft drinks and milk. Two of the successful programs implemented this year were an increase in the presentation of beverages in the store as well as a "price alternative" program. The latter involves featuring promotionally priced beer and soft drinks to appeal to price-conscious consumers. This program has been particularly effective in the current weak economy and has resulted in increased volume and

Of the 431 Little General stores, 208 are equipped with gasoline pumps. Because of their potential to improve profitability, multi-hose pumps will be installed in most of the new stores Little General will build in 1983.

profits from those products. Another innovative marketing concept involved the development of a self-service fountain drink program. By making the five top soft drink selections in each market available to the customer, the program increased sales. Another facet of the program included a larger selection of cup sizes for soft drinks, allowing the consumer to trade up in size, thereby increasing gross profit dollars.

As the trend for take-out fast foods continued, Little General responded by introducing additional snack foods and a larger selection of sandwiches to meet the growing demand. Further expansion into quality deli snack foods is anticipated and should provide continued sales improvement in this segment of the business.

Most of Little General's refrigerated space and a substantial amount of its shelf space are used for soft drinks and beer—high-volume products which carry high gross margins.

In order to increase productivity, Little General eliminated a number of slow-moving products from its inventories, which allowed additional space for a mix of higher volume and more profitable products. An ongoing promotional program using media advertising and point-of-sale materials stimulated customer traffic and enhanced the image of Little General in all markets. Most importantly, Little General continued to develop more effective management information systems, enabling it to improve efficiency and controls and provide for continuing growth and profitability.

HISTORICAL SUMMARY:
Casey's General Store, Inc.

	Year Ended 4/30/79	Year Ended 4/30/80	Year Ended 4/30/81	Year Ended 4/30/82	13th Survey 4/30/83
Casey's General Stores, Inc.					
Number of Store:					
Company Operated	72	97	110	142	166
Franchise Operated	154	178	194	197	211
Total Number of Store	226	275	304	339	377
Store Growth in Year	-	49	29	35	38
Store Days:					
Company Operated	-	30,927	37,771	45,974	56,198
Franchise Operated	-	60,756	67,882	71,356	74,453
Total Number of Store Days	-	91,683	105,653	117,330	130,651
Sales per Day-Company Store			$707	$736	789
Sales Growth-Company Store $DPD				$+29	$+53
Pretax Profit-All Store $DPD			$4.14	$14.29	$22.67
After Tax Profit-all store $DPD			$2.11	$9.98	$13.49
Store Closure				1	1
Gasoline Units					377
$DPD Ranking					8/12

Data Taken from the Preliminary Prospectus
Dated 8-31-83
Inventory Accounting: LIFO

BASIS FOR PROFIT PER DAY DETERMINATION

Operated 377 stores in 8 states on April 30, 1983. 166 stores were company operated and 211 were franchised. The stores are operated under the Casy's General Store name.

1. The Annual Report states that sales from company operated units were $44,356,273. No information is given for sales from the franchise units. Average daily sales as computed here and shown above are for the 166 company operated units only.

2. Store Days:

Company Units	
Store Days of Stores open all year	142 x 365 = 51,830
Store Days of new stores figured for 1/2 year only	24 x 182 = 4,338
Total Store Days	56,198
Franchise Units:	
Store Days of Store Open all year	197 x 365 = 71,905
Store Days of new stores figured for 1/2 year only	14 x 365 = 2,548
Total Store Days	74,453
Total Store Days-All Stores	130,651

3. Sales Per Store Per Day:

Store sales of $44,356,273 divided by 56,198 store days equals average sales of $789 per store per day for the year.

4. Pretax Profit:

Pretax profit of $2,961,528 divided by total store days of 130,651 results in a pretax profit of $22.67 per store per day.

5. After Tax Profit:

After tax profit of $1,763,128 divided by total store days of 130,651 results in an after tax profit of $13.49 per store per day.

6. Casey's became a public company in October, 1983. The initial offering price $15.00 per share. The stock closed at $13.50 on Friday, October 28th, 1983.

7. All Casey's store sell gasoline.

8. The Company has 53 new stores planned.

THE COMPANY

Casey's General Stores, Inc. (the "Company" or "Casey's") operates convenience-style general stores under the name "Casey's General Store" in seven Midwestern states, primarily Iowa. The stores carry a broad range of groceries and other items, including health and beauty aids and automotive products. In addition, all stores offer gasoline for sale on a self-service basis. On July 31, 1983, there were a total of 388 Casey's General Stores in operation, of which 172 ("Company Stores") were owned or leased by the Company or by three 50%-owned subsidiaries of the Company (the "Subsidiaries"). The remaining 216 stores ("Franchised Stores") were owned or leased by franchisees. In March, 1982, the Company commenced operations of its central warehouse, the Casey's Distribution Center in Urbandale, Iowa, through which it supplies grocery and general merchandise items to Company and Franchised Stores. See "Business—Distribution and Wholesale Arrangements."

Casey's General Stores are primarily located in small towns with populations of fewer than 5,000 persons. Casey's competes on the basis of price, as well as on the basis of traditional features of convenience store operations, such as location, extended hours and quality of service. The Company seeks to price competitively with non-convenience stores on certain high volume items while pricing as a more traditional convenience store for the majority of its items.

The Company believes that there are significant opportunities for continued growth in its present market area and intends to pursue expansion in this area before expanding into other geographic markets. Casey's will seek to emphasize the addition of new Company Stores due to their greater profitability, and currently intends to follow its present policy of situating new stores primarily in small communities.

Upon completion of this offering, the Company's three executive officers will own or have voting control of 75.4% of the outstanding Common Stock of the Company (assuming the over-allotment option is not exercised) and will be able to elect all of the Company's directors. See "Principal Stockholders and Selling Stockholder."

The Company, an Iowa corporation, was formed in 1967. Its executive offices are located at 1299 N.E. Broadway Avenue, Des Moines, Iowa 50313. The Company's telephone number is (515) 263-3700.

USE OF PROCEEDS

Of the estimated $ net proceeds to the Company from its sale of 671,000 shares of Common Stock, $ will be used to retire long-term indebtedness and the balance will be added to working capital, where it will be available for general corporate purposes, including the construction of new Company Stores, the purchase of existing Franchised Stores or the purchase of additional equity in the Company's 50%-owned subsidiaries. The indebtedness to be discharged consists of mortgage notes payable at various maturities through August, 1993, and which have interest rates ranging from 13% to 18%.

The Company will receive none of the proceeds from the sale of shares of Common Stock by the Selling Stockholder or from the over-allotment option, if exercised. See "Principal Stockholders and Selling Stockholder."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Casey's derives its revenue from the retail sale of products by Company Stores and from the sale of gasoline and certain non-gasoline products on a wholesale basis to its Franchised Stores. The Company also generates revenues from continuing monthly royalties based on sales by Franchised Stores, sign and facade rental fees, initial franchise license fees and the provision of certain maintenance, transportation and construction services to the Company's franchisees.

For the three fiscal years ended April 30, 1983 and the three months ended July 31, 1983, the Company's net sales, franchise revenue and net income have increased substantially. Growth in net sales and franchise revenue has resulted primarily from the net addition of 75 new Company Stores and 38 new Franchised Stores. Stores are generally not profitable during their first year of operation and typically do not attain representative levels of sales and profits, or become "mature," until their third year of operation. Average sales per Company Store and average franchise revenue per Franchised Store increased significantly from 1981 to 1983 due to the maturation of the 47 Company Stores and 108 Franchised Stores which were opened in fiscal 1979 and 1980. Growth in net income over this period has been primarily due to increased sales, including wholesale grocery and general sales to the Franchised Stores through the Casey's Distribution Center, improved gross margins, increased retail sales as a percentage of the Company's net sales, and reduced taxes due to the utilization of net operating loss carryforwards generated by one of the Company's three 50%-owned subsidiaries.

The following tables set forth for the periods indicated the Company's revenues and gross profits according to its major revenue categories, and average sales and earnings information for Company and Franchised Stores.

Company Sales and Gross Profits

	Year Ended April 30,			Three Months Ended July 31,	
	1981	1982	1983	1982	1983
Revenues					
Retail Sales					
Grocery and General	$ 26,694,724	$ 33,850,542	$ 44,356,273	$11,601,262	$14,268,927
Gasoline	50,594,550	67,675,184	81,099,067	20,565,462	24,301,063
	$ 77,289,274	$101,525,726	$125,455,340	$32,166,724	$38,569,990
Wholesale Sales					
Grocery and General	$ —	$ 1,542,094	$ 16,671,264	$ 3,701,292	$ 5,703,245
Gasoline	47,277,926	44,855,462	42,495,689	12,405,794	10,781,557
	$ 47,277,926	$ 46,397,556	$ 59,166,953	$16,107,086	$16,484,800
Franchise Revenue	$ 3,059,109	$ 3,541,977	$ 3,871,611	$ 1,031,965	$ 1,115,948
Other(1)	1,427,616	5,354,041	3,828,358	494,827	559,028
Total Revenue	$129,053,925	$156,819,300	$192,322,262	$49,800,602	$56,729,766

SUMMARY

The Company

Casey's General Stores, Inc. is a leading operator of convenience-style general stores in Iowa and six other Midwestern states. On July 31, 1983, the Casey's General Stores system consisted of 388 stores, of which 172 were Company-owned and 216 were franchised. The Company's stores are principally located in small towns. The stores provide their customers with a broad selection of food and non-food products, including gasoline, and offer typical convenience store features such as extended hours, roadside location and prompt check-out service. Casey's seeks to price competitively with non-convenience stores on certain high volume items while pricing as a more traditional convenience store for the majority of its items.

Operating Results

(thousands, except per share amounts)	Year Ended April 30,					Three Months Ended July 31,	
	1979	1980	1981	1982	1983	1982	1983
Net sales	$58,613	$89,675	$125,995	$153,277	$188,451	$48,769	$55,614
Franchise revenue	1,874	2,536	3,059	3,542	3,872	1,032	1,116
Pre-tax income(1)	568	498	437	1,677	2,962	945	1,335
Net income	418	108	223	1,171	1,763	553	719
Extraordinary item per share	—	—	—	.08	.07	.02	.01
Net income per share	.19	.05	.16	.54	.80	.25	.32

Summary Balance Sheet as of July 31, 1983

(thousands)

	Actual	As Adjusted(2)		Actual	As Adjusted(2)
Current assets	$12,350	$	Current liabilities	$15,949	$
Property and equipment, net	23,121	23,121	Long-term debt	12,994	
			Other long-term liabilities	1,766	1,766
Other assets	848	848	Stockholders' equity	5,610	
Total	$36,319	$	Total	$36,319	$

(1) Before extraordinary item arising from tax loss carryforward and before deducting minority interest in net income of three 50%-owned subsidiaries.

(2) Adjusted to give effect to the sale of the Common Stock offered by the Company.

The Offering: 700,000 Shares of Common Stock*

To be sold by:	
The Company	671,000 shares
The Selling Stockholder	29,000 shares
Shares outstanding after the offering	2,846,000 shares
Use of proceeds	For additional stores, repayment of indebtedness and working capital
Proposed NASDAQ symbol	CASY

* Excludes 105,000 shares subject to an over-allotment option granted to the Underwriters by certain stockholders. See "Underwriting."

Gross Profits(2)	Year Ended April 30, 1981	1982	1983	Three Months Ended July 31, 1982	1983
Retail Sales					
Grocery and General	$ 6,661,831	$ 8,304,825	$ 11,701,536	$ 3,168,684	$ 3,930,352
Gasoline	2,795,149	4,548,334	5,050,071	1,136,145	1,339,145
	$ 9,456,980	$ 12,853,159	$ 16,751,607	$ 4,304,829	$ 5,269,497
Wholesale Sales					
Grocery and General	$ —	$ 39,478	$ 508,474	$ 93,273	$ 256,646
Gasoline	81,006	372,841	312,053	63,293	54,098
	$ 81,006	$ 412,319	$ 820,527	$ 156,566	$ 310,744

Individual Store Information(3)

Company Stores	Year Ended April 30, 1981	1982	1983	Three Months Ended July 31, 1982	1983
Average Sales per Company Store	$753,468	$827,336	$819,607	$228,868	$235,188
Average Sales of Grocery and General	259,768	274,303	292,396	81,623	86,887
Average Gross Profits on Grocery and General	65,812	70,911	78,915	22,285	24,255
Average Sales of Gasoline	493,700	553,033	527,211	147,245	148,301
Average Gross Profits on Gasoline	27,505	37,889	34,081	9,033	8,239
Average Operating Income per Company Store(4)	18,719	32,336	34,682	11,706	12,482
Franchised Stores					
Average Franchise Revenue per Franchised Store(5)	$ 16,954	$ 18,192	$ 19,159	$ 5,262	$ 5,405

(1) Consists of charges to franchisees for certain maintenance, transportation and construction services provided by the Company.

(2) Represents sales less cost of goods sold.

(3) Includes only those stores that had been in operation for at least one full year before commencement of the periods indicated.

(4) Represents sales less costs of sales, including cost of merchandise, financing costs and operating expenses attributable to a particular store, but excluding federal and state income taxes, operating expenses of the Company not attributable to a particular store, and payments by the Company to its Employees' Stock Ownership Plan and Trust.

(5) For each of the periods indicated, includes a monthly royalty fee equal to 3% of gross receipts derived from store sales of non-gasoline items, a maximum royalty fee of $.018 per gallon on gasoline sales, and sign and facade rental fees.

Historical Summary: Sunshine Jr. Stores, Inc.

Data Taken from the Annual Report and 10K for the Year

Inventory Accounting: LIFO

	1st Survey	2nd Survey	3rd Survey	4th Survey	5th Survey	6th Survey	7th Survey	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
	Year Ended												
	12/31/70	12/31/71	12/31/72	12/31/73	12/31/74	12/31/75	12/31/76	12/31/77	12/31/78	12/31/79	12/31/80	12/31/81	12/31/82
SUNSHINE JR. STORES, INC.													
Number of Stores	98	115	144	179	215	236	261	288	316	336	353	354	358
Store Growth in Year	22	17	29	35	36	21	25	27	28	20	17	1	4
Store Days	31,766	38,881	47,397	58,965	71,923	82,318	90,715	100,179	110,216	118,980	126,087	129,027	129,584
Sales per Day	$370	$390*	$413*	$437*	$507*	$459	$467	$467	$470	$502	$522	$562	570
Sales Growth $DPD	$+28	$+20	$+23	$+24	$+70	$	$+8	$+0	$+3	$+32	$+20	$+40	+8
Pretax Profit $DPD	$19.35	$20.46	$20.30	$20.52	$30.78	$25.17	$24.35	$24.27	$22.53	$31.03	$17.71	$21.89	18.14
After Tax Profit $DPD	$10.12	$11.05	$10.75	$10.88	$16.31	$13.23	$12.96	$13.54	$12.47	$16.86	$10.51	$12.37	10.92
Store Closures							3	6	9	8	11	16	17
Gasoline Units		4	33	40	51	72	140	191	230	260	288	307	322
$DPD Ranking	2/10	2/10	5/10	7/13	3/13	5/13	7/13	8/13	9/13	9/13	9/12	9/11	9/12

*Includes gasoline sales.

BASIS FOR PROFIT PER DAY DETERMINATION

Operated 358 small food stores on December 30,1982, in five states.

1. The annual report states that small food store sales were $73,801,966.

2. Store Days:
   Store days of stores open all year — 354 x 364 = 128,856
   Store days of new stores figured for 1/2 year only — 4 x 182 = 728
   Total Store Days — 129,584

3. Sales per Store per Day:
   Sales of $73,801,966 divided by 129,584 store days equals average sales of $570 per store per day for the year.

4. Pretax Profit per Store per Day:
   The annual report states that the operating profit for convenience stores was $4,053,145 before corporate expenses of $1,934,477. Since convenience store sales are 88% of total sales, we have allocated the expense on this basis. Convenience store pretax profits were thus $2,350,785. Store pretax profits of $2,350,785 have been divided by 129,584 store days to arrive at a pretax profit of $18.14 per store per day.

5. After Tax Profit:
   After tax profit is 60.24% of pretax profit. After tax small store profit was $1,415,640.

6. After Tax Profit per Store per Day:
   Sunshine Jr. convenience store after tax profits of $1,415,640 have been divided by 129,584 store days to arrive at an after tax profit of $10.92 per store per day.

7. 37 stores are open 24 hours a day.

8. Commissions from video machines were $1,074,462 or $8.29 per store per day.

9. The company operates 7 supermarkets. Its pretax per store per day profits in the seven supermarkets were 238.33.

President's Report

Lana Jane Lewis-Brent
President, Vice Chairman
of the Board

Despite the country's worst economic conditions since World War II, Sunshine-Jr. Stores, Inc. closed out 1982 with only a slight decline from record 1981 sales. Net sales for the year were down four percent to $172.3 million, compared to $178.8 million in 1981.

Net income for the year also dipped 11 percent from $2.0 million to $1.8 million, or from $1.17 per share to $1.05 per share.

Since consumers are less psychologically inclined to buy convenience items during a recession, we're proud of what we see as only small erosions in our key financial indicators. That we achieved the results we did is a testimony to our strength in both retailing and management. Moreover, the recession was only one of the year's challenges. We also had a worldwide oil glut to contend with, which caused gasoline prices to fluctuate at the retail level, thus putting pressure on our margins, although we were still able to improve them. And due to inflation, we had a continuing battle with selling, general and administrative expenses.

Business Segments

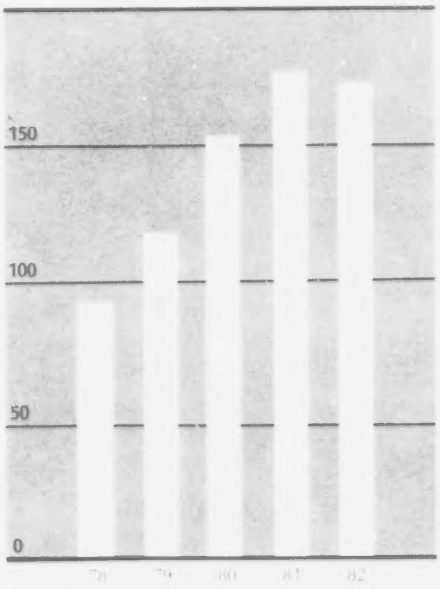
Jr. Food Store sales were $151.1 million, down five percent from 1981's $158.3 million. Gasoline continues to play an increasingly large role in the convenience business, representing 51 percent of total Jr. revenue. Moreover, in spite of dampened prices, we improved our gas margins, particularly in the fourth quarter. By opening 21 new stores and buying up equipment, we also added 77 company-owned gas installations, bringing that total to 134, or 42 percent of total installations.

Sunshine supermarket sales were $21.3 million, up four percent from $20.4 million last year.

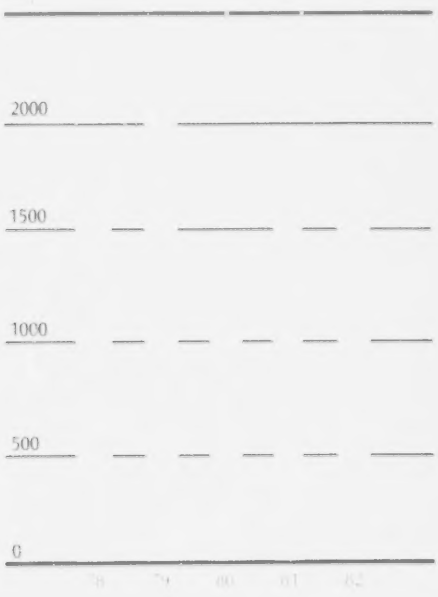
Dividends and Equity

Sunshine-Jr. declared a $.12-per-share dividend in each quarter of 1982, increasing dividends for the entire year by nine percent over 1981.

Stockholders' equity also increased in 1982 to $16,887,585, or $9.92 per share, six percent over last year's $9.36. We value your investment in Sunshine-Jr. and will continue to employ our resources to your benefit.



Net Sales
(millions of dollars)



Net Income
(thousands of dollars)

Store Openings and Closings

In 1982, we opened 21 Jr. Food Stores, exceeding our target of 20, and closed 17, with a net gain of four stores. Our emphasis continues to be on improving store location and design so as to increase productivity and profitability.

We also designed an energy-efficient prototype on which future Jr.s will be based. The first of these new stores, featuring a low-maintenance brick exterior and a more compact layout, was opened in February of '83. Its insulation, windows and trim provide an energy savings of 20 percent over older stores.

New Horizons

The year brought a number of internal changes, which constitute a new and exciting direction for Sunshine-Jr. After President James E. Lewis, Jr. resigned to pursue other business interests, the Board of Directors elected co-founder Leona J. Lewis as Chairman of the Board and myself as Vice Chairman. State Senator Roberta Fox, an attorney in Coral Gables, Florida, was also elected to fill the Board position vacated by Mr. Lewis.

At the next quarterly Board meeting, I was voted President and CEO, and Harold C. Pope, Treasurer and CFO, was elected to replace Dr. A. H. Lisenby, who retired from the Board at age 82.

These changes have led to a number of others, many of them coalescing just as the year was drawing to a close. They include streamlining our Jr. Food Store Division and expanding and improving our in-store manager program. A Senior Vice President's office was also created, as was a department of training.

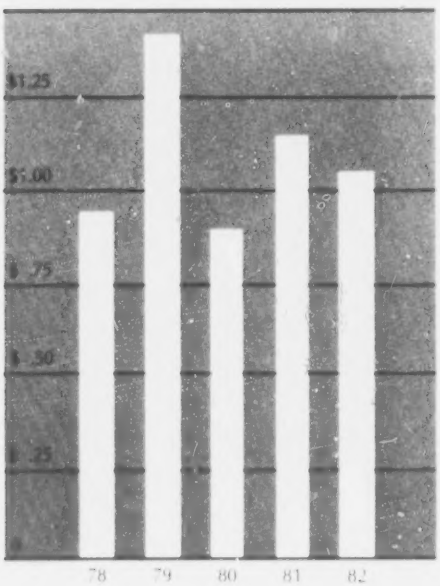
All of us at Sunshine-Jr. are proud of our performance in 1982 and are looking forward to the year ahead. We plan no additional long-term debt for the Company, unless our cash position changes or a beneficial acquisition presents itself. Our goals in '83 are to actively pursue the growth and innovation required in this increasingly competitive industry.

Sincerely,

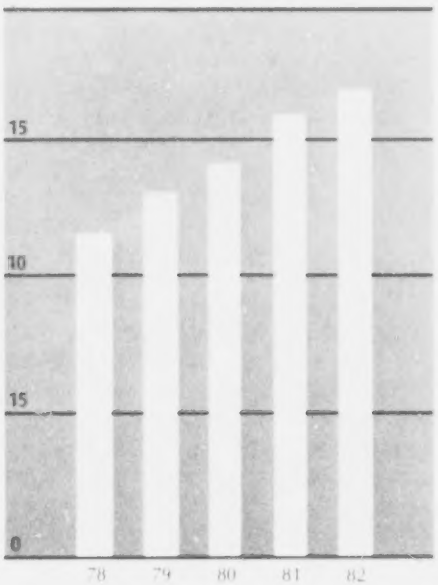
Lana Jane Lewis-Brent

Lana Jane Lewis-Brent
President

March 25, 1983



Earnings Per Share



Stockholders' Equity
(millions of dollars)

BEST AVAILABLE COPY

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

In 1982, sales declined four percent, due to lower gasoline prices and a weak economy, but increased 13 percent over 1980. Merchandise sales in both convenience stores and supermarkets continued on an upward trend, increasing two percent from 1981 to 1982, and nine percent from 1980 to 1981. These increases were the result of higher selling prices and a greater number of stores. Gasoline sales, however, were down ten percent for the year, due to lower prices coupled with lower volume. In 1981, gasoline sales were up 28 percent over 1980, due to higher prices and volume.

Earnings for 1982 were down 11 percent, due to increased selling, general and administrative expenses coupled with a small decline in gross margin on convenience-store merchandise sales. Nevertheless, earnings for the year reflected a 22 percent increase over 1980.

Cost of goods sold as a percentage of sales was 81 percent in 1982, down from 82 percent in 1981, but even with 1980. This was largely the result of lower margins on convenience-store merchandise sales, offset by improved margins on gasoline.

Selling, general and administrative expenses increased six percent from 1981 to 1982, compared to eight percent from 1980 to 1981. This slowdown in the rate of increase was the result of management's careful monitoring of expenses. The increase itself was due partly to the operation of additional stores, and partly to increases in the costs of necessary goods and services. For example, utilities were up eight percent in 1982, due to higher energy costs. Depreciation and amortization were up 26 percent, due to management's decision to own more stores rather than lease them, plus the acquisition of 77 company-owned gasoline installations. Rent was up six percent because we replaced several older rented facilities with newer ones at a higher cost. Finally, salaries and wages increased 15 percent for the year, largely due to pay increases and a greater number of employees.

Interest expense in 1982 more than doubled because the Company incurred long-term debt to finance the additions of gasoline installations and a new computer.

Convenience Store Segment: In the Jr. Food Store Division, total sales were down five percent from 1981, due to lower gasoline prices, but sales of merchandise were up two percent as the result of price increases and more stores. Our gasoline volume was down four percent for the year, but total gasoline sales were down ten percent, due to an average annualized drop of 13 percent in retail gasoline prices per gallon. In 1982, we added 77 company-owned gasoline installations, versus commission basis bringing that total to 134. This was favorably reflected in our gross margin on gasoline sales, which increased in 1982, compared to a decline in 1981. The increased profitability on gasoline sales was offset by the decline in merchandise gross margin and an increase in operating costs, resulting in a nine percent decrease in operating profit from 1981 to 1982, compared to a 34 percent increase from 1980 to 1981. 1982 operating profit, nevertheless, exceeded 1980 by 21 percent as the result of more stores in operation.

Supermarket Segment: Sunshine supermarket sales were up four percent in 1982, compared to seven percent in 1981, with more than half the increase coming from increased selling prices. Gross margin on supermarket sales improved slightly in 1982 because of increased efforts to control inventory levels coupled with increased volume. Operating profit, however, was down eight percent, due to higher operating costs detailed in the discussion of selling, general and administrative expenses above.

Liquidity and Sources of Capital

Cash flow from operations, along with borrowings, were sufficient to meet capital expenditures and operating needs in 1982. Last year, the Board of Directors approved a budget for 1982, which exceeded internally generated funds by approximately $800,000. This reversed a long-standing policy of no long-term debt for the Company other than capital leases. In the final analysis this year, uses of funds exceeded sources by $986,918.

The ratio of current assets to current liabilities was 1.37 at the end of 1982, compared to 1.58 in 1981 and 1.65 in 1980. Although this ratio is trending downward, no liquidity problems are anticipated.

In fact, the Company's liquidity position should improve, as our tentative capital budget for 1983 is less than anticipated internally generated funds. Should a favorable acquisition present itself, it would be financed by additional long-term debt, which we expect we would have no trouble obtaining.

Impact of Inflation

To the extent permitted by competition, the Company passes on increased selling prices. Nevertheless, we are continually seeking ways to cope with inflation. In 1980, we switched to the last-in, first-out (LIFO) method of determining inventory cost, eliminating much of the effect of inflation on our financial statements.

Depreciation charges are based on historical costs and are thus significantly less than if based on current costs. Although the assets will eventually be replaced at higher costs, this will take place over many years.

Present tax laws do not allow deductions for inflation adjustments, so that taxes on income, in real terms, exceed statutory rates and result in a tax on shareholders' investment.

Sunshine-Jr. Stores, Inc.
P. O. Box 2498
Panama City, Florida 32401
(904) 769-1661

Lana Jane Lewis Brent
President

October 14, 1983

Mr. John F. Roscoe
Dollars Per Day Survey
P.O. Box 886
Benicia, Ca. 94510

Dear John

Thank you for the copy of the twelfth annual Dollars Per Day Survey - once again, a thorough and useful study.

I would like to make one comment about Sunshine-Jr.Stores, Inc., and that is to point out to survey readers that 1982 (the figures you'll be using for the thirteenth survey) was a crucial year in our company's history. The change of management that took place in August of that year marked a whole new philosophy and direction for Sunshine-Jr., which - over time - should be apparent in our survey results.

Thank you, again, for all your hard work for our industry.

Sincerely

Lana Jane Lewis-Brent

Lana Jane Lewis-Brent

LJLB/sf

Historical Summary: Munford, Inc.

Data Taken from the Annual Report
for the Year

Inventory Accounting: FIFO

	1st Survey	2nd Survey	3rd Survey	4th Survey	5th Survey	6th Survey	7th Survey	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
							Year Ended						
	1/2/71	1/1/72	12/28/72	1/3/74	1/2/75	1/1/76	12/30/76	12/29/77	12/28/78	1/3/80	1/1/81	12/31/81	12/30/82
MUNFORD, INC. **Atlanta, Georgia**													
Number of Stores	928	959	1,057	1,246	1,348	1,408	1,310	1,351	1,211	1,184	1,119	987	959
Store Growth in Year		31	98	189	102	60	−98	41	−140	−27	−65	−132	−28
Store Days	338,720	344,393	364,896	427,301	472,108	501,592	476,840	484,302	440,804	439,264	407,316	383,292	354,172
Sales per Day	$307	$335	$357	$404	$423	$414	$442	$437	$529	$586	$669	$738	829
Sales Growth $DPD		$+28	$+22	$+47	$+19	$−9	$+28	$−5	$+92	$+57	$+83	$+88*	+91
Pretax Profit $DPD	$5.86	$8.88	$8.98	$10.04	$12.01	$11.11	$5.14	$−9.42	$ −.78	$2.22	$−9.59	$6.85	15.20
After Tax Profit $DPD	$2.90	$4.80	$5.14	$5.69	$6.68	$6.23	$3.67	$	$	$1.34	$	$4.72	10.38
Store Closures							112	Not given	−273	−119	Not given	155	Not Given
Gasoline Units		58	149	245	266	293	350	500+	512	555	543	471	481
$DPD Ranking	8/10	9/10	10/10	13/13	10/13	12/13	13/13	13/13	13/13	13/13	12/12	11/11	10/12

BASIS FOR PROFIT PER DAY DETERMINATION

Operated 959 Majik stores in fourteen states on December 31, 1982. The company also operates other divisions with total sales of $44,403,000.

1. Sales
   The annual report states that Majik Market Store sales were $328,202,000, of which $34,509,000 was gasoline sales. Store sales were thus $293,602,000.

2. Store Days:
   Store days of stores open all year 959 x 364 = 349,076
   Store days for net closed stores figured for 1/2 year only 28 x 182 = 5,096
   Total Store Days 354,172

3. Sales per Store per Day:
   Sales of $293,602,000 divided by 354,172 store days equals sales of $829 per store per day for the year.

4. Pretax Profit:
   The annual report states that the operating income from food store sales was $7,438,000. This was before interest expense for the company of $4,106,000. Even though the 10K states 88% of the company sales are from the convenience store business, we have again taken the charitable approach and have only deducted 50% of the interest expense. When you deduct this $2,053,000 from the convenience store operating profit, you obtain a convenience food store profit of $5,385,000. This profit of $5,385,000 divided by 345,172 store days equals a pretax food store profit of $15.20 per store per day.

5. After Tax Profit:
   Corporate after tax profits are 68.3% of the pretax profits. After tax small store profits of $3,677,955 have been divided by 354,172 store days to arrive at an after tax profit of $10.38 per store per day.

6. Stores open 24 hours a day = 620 stores or 65% of all units.

7. Gasoline sales not included in store sales computations.

8. The company closed 800 stores between 1976 and 1981 while opening nearly 500 new stores.

*Sales growth as recomputed after adjusting 1981's average sales to $650 to account for store closures.

Left to right, back to front
Joseph C. Nicholson—*Vice President, Pensacola Region*
R. R. Rector—*Senior Vice President—Marketing Services*
William T. Schwartz—*Vice President—Marketing*
Mark J. Ploss—*Division Controller*
Richard C. Garner—*Vice President, Tampa Region*
Hillman F. Cagle—*Vice President, Nashville Region*
Randall H. Tipmore—*Vice President, Atlanta Region*
James C. Livingston—*Vice President, Central Region*

MAJIK MARKET DIVISION SETS NEW RECORDS

A capable management organization as well as high volume and high margin products were the keys to sharply higher profits per store in 1982 for the Majik Market division as the convenience food store operation turned in another record breaking year. Aggressive, innovative marketing and highly motivated Munford people generated an increase of almost 60% in operating income per store despite a continuing economic recession.

This division's operating income rose to a new record of $7,438,000 compared with $4,775,000 in 1981, on revenues of $328,202,000 versus $301,000,000 the previous year.

Self-service gasoline at prime locations, a concept pioneered by Majik Markets in cooperation with major oil companies, produced high volume sales and traffic for the stores, while high margin snack centers offered tempting items from chips to cookies, fountain drinks and coffee for Americans on the go. By the end of the year, fountain drinks were being sold in more than 500 of the Company's stores, and enlarged hot food centers with an expanded product selection were in most stores.

The impact of snack sales, reflected in Majik Market's various regions, is underscored by an industry report that consumption of snack foods in 1982 averaged eight pounds for every American, with total sales climbing to $5.25 billion. Snack foods now account for 5.5% of total sales in the typical convenience store, outpacing both candy and fast foods. Snack items usually include chips, crackers, processed meat and cake snacks, cookies, popcorn, processed cheese and nuts. Fast foods generally are sandwiches, coffee, fountain drinks, hot dogs, chicken, pizza and similar items.

Majik Markets are cashing in on this snack food popularity and are also pushing harder for increased sales of other product lines. The strategy is to develop the Majik Markets into "Your One Stop Specialty Shop," as the basis for profit improvement in the future. This means each Majik Market is essentially a mini-mall offering gasoline, tobacco, bakery goods, beverages, newspapers, magazines, books, money orders, candy, pet food, snacks, fast foods and now video games. While this division is already seeking to achieve more crossover sales among major types of customers such as the gasoline purchaser and the convenience food store shopper, this "Your One Stop Specialty Shop" strategy is directed toward further increasing the sales per customer as well as the volume per store.

By the end of the year the number of Majik Markets selling self-serve gasoline had increased to 481. Majik Market gasoline sales in 1982 exceeded 327 million gallons, a strong gain over the 286 million gallons sold in 1981, reflecting the results of higher volume per unit

Robert Banks—1982 Majik Market Distribution Center, "Driver of the Year"

"Great to have your hard work rewarded by being named "Driver of the Year"—I have something to really work for to try to make it again next year."

Frank Savini—Majik Market "Region Controller of the Year"

"I am proud to be associated with Munford, Inc. I enjoy the challenges of my position and the opportunities for additional responsibilities and rewards are tremendous."

and the better locations of the major oil companies.

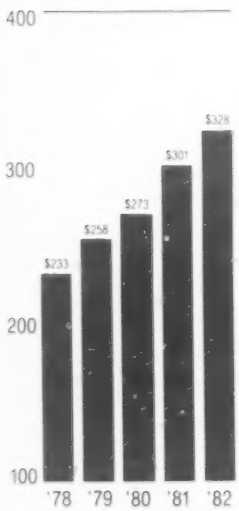
While emphasizing creative merchandising and marketing, the Majik Market leadership is also concentrating even more on asset management-both the human and financial resources. An effective program of incentives, together with strong training programs, contributed to the record-setting results of the past two years. Munford people, from division and regional staff to store personnel, responded to the challenge of the recession with outstanding performances.

Growth of the Majik Market division in the United States was accompanied by expansion of the operations in Australia, the first foreign venture for this division. From three stores in late 1981, Majik Markets Pty. Limited opened a dozen more units in Victoria and New South Wales for a total of 15 stores at year end. All are combination convenience food store/self-service gasoline units. The number of units is expected to double in 1983 by this joint venture between Munford, Inc., and Caltex Oil (Australia) Pty. Limited, a subsidiary of Caltex Petroleum Corp., which is jointly owned by Texaco, Inc. and Standard Oil of California.

A tough, "Hands-On" management philosophy, in a tough retail environment, will continue to move the Majik Market division toward new records as this division continues to establish itself as a leader in the convenience food store industry.

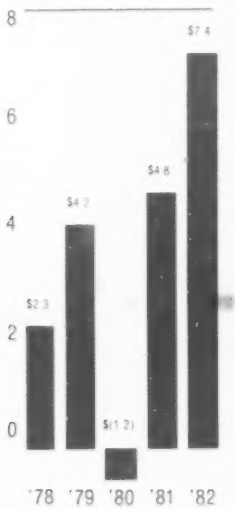
Majik Market Net Sales and Other Revenues

Millions of Dollars

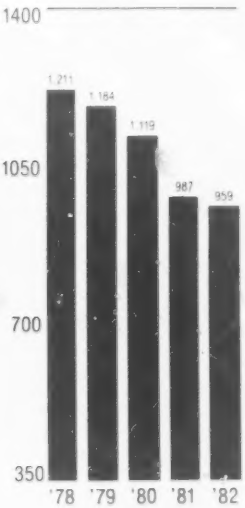


Majik Market Operating Income

Millions of Dollars



Majik Market Units in Operation



See Note 12 to Consolidated Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MUNFORD, INC. AND SUBSIDIARIES

Liquidity and Capital Resources

The Company considers, and uses for internal management purposes, a number of measures of liquidity. These measures include working capital, leverage and profitability ratios, all of which are set forth below.

Working Capital Ratio. This ratio measures the Company's ability to meet its short-term obligations.

	1982	1981	1980
Working capital (in thousands)	**$22,455**	$19,132	$12,438
Working capital ratio	**1.6 to 1**	1.5 to 1	1.3 to 1

Major sources and uses of funds providing working capital (in thousands) are summarized as follows:

	1982	1981	1980
Funds provided from continuing operations	**$11,806**	$15,027	$ 8,131
Funds from discontinued operations	—	—	140
Dividends from URS, Inc.	**1,412**	—	—
Basis of URS, Inc. stock sold	**363**	772	—
Dividends declared	**(3,774)**	(855)	(336)
Capitalized lease obligations—net	**(2,688)**	(3,370)	(3,903)
Additions to owned property and equipment—net	**(2,145)**	(1,369)	(4,060)
Additions to capitalized leases—net	**(1,278)**	944	(1,402)
Long-term debt—net	**(1,050)**	(4,067)	(2,976)
Other—net	**677**	(188)	1,653
Net change in working capital	**$ 3,323**	$ 6,694	$(2,753)

In 1982, funds provided from operations were sufficient to fund the Company's capital needs, debt reduction and shareholder's dividends. Funds from the sale of United Refrigerated Services, Inc. (formerly MRW, Inc.), stock of $2,200,000 contributed to working capital. Additionally, the Company paid an extraordinary dividend of $1.00 per share of common stock, or $2,414,000 in 1982 which reduced working capital. See note 2 to the Consolidated Financial Statements.

In 1981, funds provided from operations exceeded debt reduction, capital expenditures and dividends. Also, funds from the sale of United Refrigerated Services, Inc. stock of $5,200,000 increased the Company's working capital.

In 1980, funds from operations were not sufficient to fund the Company's capital needs and debt reduction; thus, decreasing working capital.

An analysis of Munford, Inc.'s short-term lines of credit (in thousands) at December 30, 1982 follows:

Total lines of credit		$24,500
In Use:		
Notes payable	$ —	
Letters of credit	3,489	
180 day Banker's Acceptances with varying maturity dates	2,746	6,235
Lines available		$18,265

These lines are comprised of bank borrowing availability of $7,000,000, and lines for Letters of Credit and Banker's Acceptances of $17,500,000. During 1982, the maximum utilization of the bank borrowing portion was $750,000. Letters of Credit and Banker's Acceptances were used throughout the year to fund Import Stores purchases and for petroleum operations.

The Company believes that it has adequate credit lines available to meet the seasonal fluctuations of working capital in its business.

Leverage Ratios. The Company has financed certain of its fixed asset additions through mortgage debt and lease financing. Related balance sheet debts have been significantly reduced over the past years as indicated (in thousands) below:

	1982	1981	1980
Long-term debt including current portion	**$ 5,437**	$ 6,538	$16,946
Capitalized lease obligations including current portion	**$26,954**	$29,844	$39,411

See notes 4 and 5 to the Consolidated Financial Statements for the maturity dates of these debts and capitalized lease obligations. Long-term debt of $4,645,000 and capitalized lease obligations of $5,564,000, related to assets of the Refrigerated Warehouse division, were assumed by United Refrigerated Services, Inc. at December 31, 1981 and removed from the liabilities of Munford, Inc. as of December 31, 1981. See note 2 to the Consolidated Financial Statements.

The Company has substantial off balance sheet financing for operating leases principally for the land portion of its capitalized leases in its Convenience Food Stores segment and mall leases for its Import Stores segment. Future minimum lease payments of these operating leases are disclosed in note 5 to the Consolidated Financial Statements. These commitments are expected to be financed from funds provided from operations during 1983 and in future years.

The Company believes that long-term assets in general should be financed with long-term liabilities. However, the Company has also recognized that some portion of equity must also be used in the financing of long-term assets in order to maintain a stronger financial base. Management believes that the following ratios are meaningful in evaluating the Company's progress toward this balance:

	1982	1981	1980
Long-term debt and capitalized leases including current portions to equity	**75%**	93%	164%
Long-term debt and capitalized leases including current portions to total property and equipment	**75%**	78%	81%

The Company continues to reduce its leverage position and interest expense. Expansion opportunities will continue to be actively explored as profitability and financing opportunities can be matched.

For a discussion of the effect of changing prices on total debt, see note 16 to the Consolidated Financial Statements.

Profitability Ratios. The Company believes that the following ratios measure the operating performance by the major segments of the Company's business:

	1982	1981	1980
Return on Sales:			
Convenience Food Stores	**2.3%**	1.6%	(.4%)
Import Stores	**8.0%**	9.0%	9.5%
Return on Assets:			
Convenience Food Stores	**12.7%**	7.7%	(1.7%)
Import Stores	**11.7%**	11.8%	10.8%

These ratios (income before interest, disposals and taxes) indicate profit contribution per revenue dollar and return on year-end assets of each segment.

In 1981, the Convenience Food Stores segment returned to profitability. Continuing this trend, earnings in 1982 were higher than 1981 by 55.8% on a 9.0% increase in sales. This division continues to review and close marginal or losing units and further reduce its operating expenses. Renegotiation of gasoline contracts at increased rates allowed pass-through of increased costs.

The Import Stores segment again had record sales and profits in 1982. The Import Stores continued their revenue growth through additional units. Inflationary pressure on operating expenses reduced return on sales although return on assets remained fairly constant as the Company added incremental units requiring only variable overhead expenses. Future stores can be added in this segment without adding major capital commitments.

Results of Operations

Revenues and Operating Income. The Company's continued overall increase in net sales and other revenue for the past three years was impacted by a decrease in units in its Convenience Food Stores segment and an increase in units in its Import Stores segment. Year-end units in operation by segment for the last three years were as follows:

	1982	1981	1980
Convenience Food Stores:			
With Gasoline	**481**	471	543
Without Gasoline	**478**	516	576
Import Stores:			
Company Operated	**129**	107	89
Franchised	**67**	72	59

In the Convenience Food Stores segment, the Company operated gasoline locations primarily under arrangements with Cities Service Company and Gulf Oil Corporation, whereby the Company sells gasoline owned by Cities Service and Gulf. The total retail volume of these gasoline sales was not included in the Company's revenues since with these arrangements only an operating fee is reported. In May of 1981, the Company changed arrangements on the Cities Service locations to an agreement under which the Company buys gasoline and owns inventory. With this arrangement gasoline sales are included in revenues and product costs are included in cost of sales. As of December 30, 1982, 225 locations previously under the fee arrangement have been converted. The effect of this change was to increase revenues approximately $34,600,000 for the year.

Note 12 to the Consolidated Financial Statements discloses revenues and operating income (loss) for the Company's business segments for 1982, 1981 and 1980.

Gross Margins. Gross margins were 27.3%, 29.5% and 30.6% for 1982, 1981 and 1980, respectively. In the Convenience Food Stores the gross margin on food sales decreased slightly by .1% in 1982 after increasing .7% in 1981. The gasoline margins, due to higher gasoline prices and the change in the marketing arrangements referred to above, decreased in 1982 and 1981. The Import Stores segment's gross margin percentage decreased .8% in 1982 and increased .7% in 1981.

Operating Expenses. Operating expenses as analyzed in this paragraph include selling and delivery expenses, general and administrative expenses and depreciation and amortization. The Convenience Food Stores 1982 segment operating expenses decreased 5.6% compared to 1981. This decrease is principally due to improved cost control and fewer units in operation. Operating expenses were 3.6% lower in 1981 than in 1980. The operating expenses of Import Stores increased 19.8% in 1982 and 35.4% in 1981 compared to the prior year. These increases are primarily due to the increased number of units being operated.

Interest Expense. Interest expense from long-term debt, capitalized lease obligations and short-term borrowings decreased approximately $200,000 or 4.5% in 1982 and $444,000 or 9.4% in 1981 when compared to the previous year. These decreases result from a reduction of the average debt balance and capitalized lease obligations outstanding during the periods.

Interest Income. Interest income increased approximately $235,000 or 54.5% in 1982 and $118,000 or 37.7% in 1981 when compared to the previous year. These increases result primarily from increased investments and higher interest rates available.

Historical Summary: Conna Corporation

Data Taken from the Annual Report and 10K for the Year

Inventory Accounting: FIFO

	1st Survey	2nd Survey	3rd Survey	4th Survey	5th Survey	6th Survey	7th Survey	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
	Year Ended												
	5/31/71	5/28/72	5/27/73	5/26/74	5/25/75	5/30/76	5/29/77	5/28/78	5/27/79	5/25/80	5/31/81	5/30/82	5/29/83
CONNA CORPORATION **Louisville, Kentucky**													
Number of Stores	137	141	167	174	218	252	269	285	316	336	416	434	435
Store Growth in Year	–15	4	26	7	44	34	17	16	31	20	80	18	1
Store Days	50,005	50,874	56,223	62,236	71,334	87,202	98,432	100,828	109,382	118,664	139,456	154,700	158,158
Sales per Day	$877	$847	$940	$912	$947	$911	$1,052	$1,200	$1,431	$1,538	$1,589	$1,535	1,554
Sales Growth $DPD	$+163	$ –30	$+93		$+35	$ –36	$+141	$+148	$+231	$+107	$+51	$ –54	+19
Pretax Profit $DPD	$2.04	$12.67	$14.62	$18.60	$18.96	$15.77	$14.59	$19.96	$25.56	$40.04	$23.18	$16.42	$(–1.72)
After Tax Profit $DPD	$1.02	$6.33	$7.31	$10.23	$9.50	$8.55	$7.96	$11.38	$13.92	$21.21	$13.96	$10.55	$.56
Store Closures	30	3				4	17	8	7	8	7	8	12
Gasoline Units	68	70	74	74	78	101	142	173	218	248	314	309	289
$DPD Ranking	9/10	7/10	6/10	9/13	8/13	10/13	10/13	9/13	7/13	6/13	8/12	10/11	12/12

BASIS FOR PROFIT PER DAY DETERMINATION

Operated 435 food stores on May 29,1983, of which 366 are franchised stores and 69 are company-operated stores in twelve states.

1. The annual report states that sales were $430,985,000 for the year. We have deducted gasoline sales of $170,126,000 and dairy sales of $14,962,000 to arrive at store sales of $245,897,000.
2. Store Days:
   Store days of stores open all year 434 x 364 = 157,976
   Store days of new stores figured for 1/2 year only 1 x 182 = 182
   Total Store Days 158,158
3. Sales Per Store per Day:
   Sales of $245,897,000 divided by 158,158 store days equals average sales of $1,554 per store per day for the year.
4. Pretax Profits:
   The company is primarily engaged in franchising and operating small food stores. It also sells gasoline, wholesales tobacco and sundry items, and finances franchisees. It has sold dairy products, work clothes, and pre-fabricated housing. Conna continually tries new ideas and ventures. Some sales are made to non-franchisee stores and customers. These sales are not substantial in relation to the main activiites of the company. The profit by about $485,000 (the gain on the sale of TIES, less the loss of $200,000 on the discontinuance of video marketing). For simplicity, we have used the pretax loss figure shown in the annual report in figuring the pretax loss for this company. The annual report states that the pretax loss was $273,000. The total pretax loss has been divided by 158,158 store days to arrive at a pretax loss of $1.72 per store per day.
5. After Tax Profit:
   The annual report states that total after tax profits were $88,000. Total after tax profits have been divided by 158,158 store days to arrive at an after tax profit of $.56 per store per day.
6. Gasoline sales are not included in store sales shown since 1974.
7. Development of new convenient food mart stores is not expected to exceed fiscal 1983 levels.
8. The chairman of Conna does not think his company can be analyzed and compared with other C-type stores in the industry. Please note his letters elsewhere in this survey.
9. In its prospectus, Convenient Food Mart, Inc. of Rosemont, Illinois, states that 13% of its revenues are derived from one regional licensee. We believe this licensee to be Conna. If so, Conna paid $489,025 or $3.09 per store per day to Convenient for continuing franchise fees during the year. Without this fee, Conna would have shown a profit of $1.37 per store per day.

To Our Shareholders:

The age of technology has arrived for retailing. We intend to remain a leader in electronic retailing systems. We will use this leadership position to strengthen our basic role in self-service gasoline and convenience stores.

The words above describe our continuing commitment. We hold fast to it.

To expand our electronic retailing role, we are investing more than $2 million to install automated dispensing systems at the majority of our gasoline outlets. We think we are the first company in the nation to move beyond testing of these units. (This exciting activity is described on page 5.)

We believe these electronic systems have broad outside marketing appeal. We have formed a subsidiary company to develop and market these systems. The new company is Remstar Corporation. It is headed by John L. Spears III, who guided CONNA's retail gasoline subsidiary through a period of accelerated growth.

We also took a hard look at our basic operations to identify areas of sub-performance. As a result, we are writing off about $1.7 million to reflect the estimated loss on the disposal of our Petco operation, which is centered in Vermont.

J. P. Peden

R. T. Johnson

On the one hand, development of our Autocard™ gasoline dispensing system made fiscal 1983 a year of substantial achievement. On the other hand, the recession hurt store sales, particularly in such key markets as Peoria and Louisville. During the last quarter, unusually cold and rainy weather reduced sales further.

Because of the write-off and the lower store sales, earnings per share amounted to eight cents for the year. Our basic financial position is strong, and we continue to pay the regular quarterly dividend of 12 cents per share.

Our emphasis on electronics reinforces our traditional role as a service company. We provide many services to our franchisees. We provide guidance to other firms entering the convenience store business in areas where we do not compete.

For three years, we have assisted British Petroleum in developing Food Plus stores in Australia. There are now more than 30 Australian stores. This relationship continues.

In May, 1983, we entered into a similar agreement with Emporium Holdings Ltd., a private firm in Singapore. We receive a consulting fee for both the Singapore and Australia ventures. Our income increases as the number of stores increases.

The U.S. economy is improving. That will aid our stores and gasoline operations. We are firmly engaged in the newest electronics retailing technology. We have expanded our overseas consulting role. All these factors should help us in future growth and profitability.

Sincerely,

Joe P. Peden
Chairman of the Board

Robert T. Johnson
President

CONNA Corporation
P. O. Box 35680
981 South Third Street
Louisville, Kentucky 40232
(502) 584-1281
Telex: 204182
Telecopier: (502) 584-5356

September 21, 1983

Mr. John Roscoe
391 Castle Crest Road
Walnut Creek, CA 94595

Dear John:

Realizing that it is that time of year that the leaves change color, the bears hibernate and you return to the mountains to work on your survey, I wanted to drop you a note.

I appreciate the fact that you included the disclaimer in last year's report. For those that had an opportunity to read it in its entirety, I'm sure they would understand our numbers some better. I did see just the numbers quoted in other publications and we still have a problem but you did what you said you would do and I appreciate that.

John, seeing as how CONNA had a bad year in '83, it will be more important than ever that your readers understand the difference between CONNA profits and the profits of the individually franchised stores. For instance, CONNA only reported $88,000 in net profits in '83. When you apply your formula for DPD to that number, our stores will appear to have earned 55¢ per day, per store (88,000 divided by 435 X 365 = .55).

Of course, the stores had their own profit and loss statements and the summation of their profits divided by the above store-day number would be quite different.

I would appreciate some kind of footnote to explain this to your readers. Your publication is widely read and quoted and the numbers that it presents does impact each of the companies that you report on. We at CONNA only want to have the facts presented in a true manner.

Please contact me if we can further discuss this.

With best regards,

Joe P. Peden
Chairman of the Board

CONNA CORPORATION

JPP:bcr

CONNA Corporation
P. O. Box 35680
981 South Third Street
Louisville, Kentucky 40232
(502) 584-1281
Telex 204182
Telecopier (502) 584-5356

October 13, 1983

Mr. John Roscoe
Dollars Per Day Survey
391 Castle Crest Road
Walnut Creek, CA 94595

Dear John:

Thank you for this opportunity to write a comment about our company and how our financial numbers relate to others in our industry as treated by the Dollars Per Day Survey.

As you and I have discussed at great length, CONNA Corporation is a holding company that has several subsidiary companies under its ownership. One of these companies is Convenient Industries of America, Inc. which franchises or owns Convenient Food Mart stores in some twelve states. At year ending, May 29, 1983, there were 369 franchised CFM's, 52 company owned CFM's and 12 Petco stores (which we have since sold) in our store list.

CONNA receives a franchise fee from the franchised stores that is reflected in our total revenues. CONNA also reflects all of the sales of the company owned units in its revenues. We also report all gasoline sales from our wholly owned Remote Services subsidiary. (This was 74.17% of our total revenue in 1983).

CONNA has a profit or loss, based on the difference of its revenues less its total expenses. Unfortunately, '83 was not a good year and we only reported a net profit of $88,000 from all CONNA operations. At the same time, the 369 franchised stores had their own profit and loss statements and the summation of their profits does not reflect on CONNA's books. Thus, the Dollar Per Day Survey does not accurately present the total picture of the profitability of the stores.

To compare CONNA to most other companies in the industry on a dollars per day basis would be like trying to compare General Motors to Ford Motors but throwing in all of the franchise dealers on one of them and not the other. In other words, you can't compare apples to oranges.

Please convey my thoughts to your readers and hopefully the correct picture will come through.

Sincerely,

Joe P. Peden
President

CONNA CORPORATION

JPP:bcr

HISTORICAL SUMMARY:
Dairy Mart Convenience Stores, Inc.

	Year Ended January 31 1979	Year Ended January 31 1980	Year Ended January 31 1981	Year Ended January 31 1982	13th Survey 1/31/83
Number of Stores	73	79	94	140	143
Store Growth in Year	6	6	15	46	3
Store Days	25,547	29,927	31,659	42,682	51,646
Sales per Day	$1,011*	$1,057*	$1,045	$934	$1,009
Sales Growth $DPD	-	-	-	$-111	$+75
Pretax Profit $DPD	$1.41	$2.35	$10.93	$.48	11.27
After Tax Profit $DPD	$1.17	$1.86	$2.30	$.41	$8.50
Store Closure	0	2	2	23	11
Gasoline Units					28
$DPD Ranking					11/12

Data Taken from the Prospectus dated July 22,1983 and 10K for the Year Ended July 22, 1983.
Inventory Accounting: LIFO

BASIS FOR PROFIT PER DAY DETERMINATION

Dairy Mart operated 143 stores in 3 states on January 31, 1983. 83 of these stores were company operated, and 60 units were franchised.

1. The Prospectus states that sales for the year were $60,270,000. It also states that $8,168,000 of these sales were from gasoline. Store sales were thus $52,102,000.
2. Store Days:
Store days of stores open all year
Store days of new stores figured for 1/2 year only
Total Store Days
3. Sales Per Store Per Day:
Store sales of $52,102,000 divided by 51,646 store days equals average sales of $1,009 per store per day for the year.
4. Pretax Profit:
Pretax profit of $582,000 divided by 51,646 store days results in a pretax profit of $11.27 per store per day.
5. After Tax Profit:
After tax profit of $439,000 divided by 51,646 store days results in an after tax profit of $8.50 per store per day.
6. Company expects to continue its expansion.
7. Gasoline not included in above sales figures from February 1, 1980 forward.
8. Became a public company at the end of July, 1983. The initial offering price of $8.25 per share. The stock closed at $12.75 on Friday, October 28, 1983.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements (including notes thereto) appearing elsewhere in this Prospectus.

The Company

The Company is primarily engaged in the operation, under the name Dairy Mart, of retail self-service stores, generally known in the industry as convenience stores. The Company currently operates 181 stores, 68 of which are located in Connecticut, 64 of which are located in Rhode Island, and 49 of which are located in Massachusetts. Through internal expansion and acquisition of existing store locations, the Company has become the second largest chain of convenience stores in New England. See map on previous page.

The Company strives to promote a clean, efficient store image, and caters to the convenience needs of its customers every day of the year from early in the morning until late at night. Dairy Mart stores offer a variety of popular national or local brands of convenience items including dairy products, tobacco, general groceries, beverages, candy, snack foods and, in 28 locations, gasoline. In a majority of its stores, the Company offers a delicatessen counter and various fast-food items. The Company utilizes its own modern dairy facility to process milk, fruit juices, and other non-carbonated beverages, which are distributed by the Company solely to its stores.

Of the 181 stores, 61 are franchised to individual franchisees. The franchising program originally enabled the Company to expand its operations with limited working capital requirements. As the Company has grown and strengthened its financial resources, the Company has emphasized to a greater degree the number of stores owned by the Company.

The following table sets forth the aggregate number of convenience stores operated by the Company and by franchisees as of the end of each of the past five years and as of the date of this Prospectus:

	July 19,	As of January 31				
	1983	1983	1982	1981	1980	1979
Company Operated Stores	120	83	86	47	32	13
Franchised Stores	61	60	54	47	47	60
Total Stores	181	143	140	94	79	73

The Offering

Shares to be Offered	360,000 shares of the Company's Common Stock, of which 300,000 are being offered by the Company and 60,000 are being offered by the Selling Stockholders*
Shares Outstanding before the Offering	730,275 shares
Shares to be Outstanding after the Offering	1,030,275 shares*
NASDAQ Symbol	DMCV
Use of Proceeds	Approximately $1,500,000 for reduction of debt and the balance to be added to working capital. See "Use of Proceeds".

* Does not include up to 30,000 shares the Underwriters may purchase from the Company pursuant to a 30-day over-allotment option and up to 75,000 shares reserved for issuance to employees under the Company's Incentive Stock Option Plan, of which options to purchase 49,500 shares at the offering price have been granted as of the date of this Prospectus. See "Underwriting" and "Management—Incentive Stock Option Plan."

Revenues have changed in proportion to the number of stores operated by the Company and franchisees. The following table sets forth the number of Convenient Food Mart stores operating in the last three years:

Number of Convenient Food Mart Stores

	1983	1982	1981
Company-owned:			
At beginning of year	61	61	57
New stores opened	6	2	3
Acquired and converted to Convenient Food Mart stores	2	15	49
Acquired from franchisees	14	19	20
Sold to franchisees	(35)	(32)	(29)
Closed	(11)	(4)	(6)
At end of year	37	61	63
Franchised:			
At beginning of year	357	339	319
New stores opened	8	9	23
Acquired from the Company	35	32	29
Sold to the Company	(14)	(19)	(20)
Closed	(1)	(4)	(11)
At end of year	365	357	339

At the end of fiscal 1983, the Company also operated 12 and franchised one food mart under the Petco name. These stores are not included in the above totals.

The average sales of CFM stores were flat in fiscal 1983 compared to the prior fiscal year. Fiscal 1982 average sales were up approximately 2% over the prior year. Several of the Company's major marketing areas, particularly the Louisville, Ky. and Peoria, Ill. areas, have been severely affected by the recession. In the last half of fiscal 1983, unusually cold and rainy weather restricted sales growth at a time when the recession's effect was lessening. Average sales during the first two four-week periods of fiscal 1984 are up 5% over the comparable period of the prior year, indicating that some improvement can be expected in fiscal year 1984.

The decline in operating profits is due to several factors. Franchise fees based on sales have not kept pace with inflation, while accompanying expenses have increased, thereby reducing profit margins. Several expense areas have been drastically reduced to help compensate for the lost gross profit but the full effect of these reductions will not be felt until fiscal 1984. Company-operated CFM stores and the Petco stores both had declines in contributions to operating profits. During the year, the Company closed 11 CFM stores compared to four in the prior year. The accompanying losses recorded upon closing exceeded the prior year's amount by $400,000. Also, the level of franchising activity (sales of existing stores and new store openings) declined in the current year, causing a reduction in initial and transfer fees.

Dairy Products

The decline in fiscal 1983 revenues to $15.0 million from $15.5 million in the prior year is due to lower sales of the retail home delivery business. The retail business was sold in May, 1983.

Corporate and Other

Included in this segment's operating profit is the Company's equity in earnings of unconsolidated operations and certain corporate expenses (primarily depreciation and amortization) not allocable to other segments. Also included are the revenues and operating profits of the Company's investment in new business ventures.

The unconsolidated operations consist of Financial Opportunities, Inc., a wholly-owned subsidiary, and CFM Distributors, Inc., a company which is owned jointly with certain Convenient Food Mart store owners. Both of these companies were formed initially to provide services to Convenient Food Marts. Additional financial information for each of these companies is provided in Note M of the Notes to Consolidated Financial Statements.

The new business ventures consist of Quadstar Corporation which is owned 28% by the Company, Remstar Corporation, a 52.5% owned subsidiary, and two wholly-owned overseas consulting ventures. During the year, the Company sold its investment in another new business venture, The Information Exchange System, Inc. (TIES). The pre-tax gain on the sale amounted to $685,000. In fiscal 1983, the Company discontinued the operations of Vito Marketing, a wholly-owned subsidiary formed to market a line of work clothes. Vito had a $200,000 pre-tax operating loss in fiscal 1983. Neither Quadstar nor Remstar contributed significantly to this segment's fiscal 1983 operating results.

The overseas consulting ventures include contracts with a company in Singapore and another in Australia to provide assistance in developing convenience stores. This operation was profitable in fiscal 1983, and should continue to grow in profits in future years since revenues are based on a percentage of the convenience store sales.

The operating profits of this segment are directly tied to the contribution of these new business ventures. Heavy start-up costs affected fiscal 1982 earnings. The sale of TIES and the increased probability of the consulting area contributed to the fiscal 1983 profit growth.

Management's Discussion and Analysis

Results of Operations

Operating revenues for the year ended May 29, 1983 were $229.7 million compared with $252.2 million for the previous fiscal year. Net earnings were $88,000 ($.08 per share) compared to $1,612,000 ($1.45 per share) in the prior fiscal year. A primary reason for the decline in net earnings is the recording of a provision for loss on disposal of the Company's Petco food marts and gasoline outlets centered in Vermont. The total pre-tax write-off amounted to $1,742,000.

Fiscal 1982 revenues increased 7% over the $234.9 million recorded in 1981. The 1981 fiscal year consisted of 53 weeks compared to 52 weeks in both 1983 and 1982. Fiscal 1982 earnings were 16% less than 1981 net of $1.9 million.

The following table summarizes the respective contributions of each segment of the Company to revenues and operating profits (earnings before interest expense and income taxes) for the last three years:

Operating Revenues
(in millions)

	1983	Percent of Total	1982	Percent of Total	1981	Percent of Total
Gasoline Retailing	$170.1	74.1	$190.1	75.4	$182.1	77.5
Food Mart Stores	42.6	18.5	46.1	18.3	37.5	16.0
Dairy Products	15.0	6.5	15.5	6.2	14.8	6.3
Corporate and Other	2.0	.9	1	1	.5	.2
TOTAL	$229.7	100.0	$252.2	100.0	$234.9	100.0

Operating Profits
(in millions)

	1983	Percent of Total	1982	Percent of Total	1981	Percent of Total
Gasoline Retailing	$1.5	55.6	$2.0	54.1	$1.8	41.8
Food Mart Stores	.3	11.1	1.6	43.2	2.0	46.5
Dairy Products	.2	7.4	.1	2.7	.2	4.7
Corporate and Other	.7	25.9	(.2)	(5.4)	.3	7.0
TOTAL	$2.7	100.0	$3.7	100.0	$4.3	100.0

Excludes the provision for loss on disposal of Petco operations amounting to $1,742,000.

Gasoline Retailing

The following table summarizes gasoline sales in dollars and gallons, and the number of stores selling gasoline for each of the last three fiscal years:

	1983	1982	1981
	(in millions except number of stores)		
Gasoline Sales	$170.1	$190.1	$182.1
Gallons Sold	146.0	152.6	146.1
Number of stores at year-end	289	296	301

The changes in gasoline sales in 1983 and 1982 are due principally to fluctuations in the average retail price of gasoline and in the number of stores selling gasoline. The average gallons sold per outlet increased slightly in 1983 and declined 1.7% in 1982. These volume results were achieved despite the fact that consumer demand for gasoline has declined in each of the past four years.

Industrywide, gross profit per gallon has declined in each of the last three years. The Company's gasoline retailing efforts were similarly affected. The decline in gross profit per gallon is the major factor behind fluctuations in the operating profit. Additionally, in fiscal 1982 the Company sold 16 gasoline locations in Ohio. The pre-tax gain on the sale of $420,000 is included in fiscal 1982 operating profits.

General and administrative expenses have been strictly controlled to help offset the decline in gross profit per gallon. With no apparent relief from the lower margins, it is apparent that additional steps are necessary. In fiscal 1984, the Company will install 200 card-activated automated fueling systems in its higher volume gasoline outlets. The Company's own tests show that these devices are well-liked by consumers and therefore should add volume to the outlets.

Food Mart Stores

The operating revenues in this segment consist of sales by company-operated Convenient Food Mart (CFM) stores, franchise fees earned from CFM franchisees, and other income. Sales of Petco food marts are included in other income. The following table summarizes the revenues from each of these sources for the last three fiscal years:

Revenues From Food Mart Stores

	1983	1982	1981
	(in millions)		
Sales by company-owned Convenient Food Mart stores	$25.2	$29.4	$22.7
Continuing franchise fees	9.4	8.8	8.4
Other Income (including Petco sales)	8.0	8.1	6.4
Total Revenues	$42.6	$46.1	$37.5

THE COMPANY

Dairy Mart Convenience Stores, Inc., through its wholly-owned subsidiaries (collectively, the "Company" or "Dairy Mart"), owns, operates, and/or franchises the operation of 181 convenience retail stores in Connecticut, Massachusetts and Rhode Island. The Company's stores, all but four of which operate under the name Dairy Mart, sell a wide range of food and convenience products, including dairy, tobacco, groceries, beverages, candy, and, at 28 locations, gasoline. The Company processes and bottles milk, fruit juices, and other non-carbonated beverages utilizing its own modern dairy equipment at leased facilities adjacent to the executive offices of the Company in Enfield, Connecticut; these beverages are supplied by the Company only to its Dairy Mart stores.

The Company was founded in 1957 by its Chairman, President and principal shareholder, Charles Nirenberg. By 1972, there were 37 stores, all full franchises (a majority having since been purchased by the Company), with Dairy Mart deriving a substantial portion of its income from the wholesale distribution of milk and ice cream to its franchisees. Thereafter, the Company began to offer limited franchises in addition to continuing to offer full franchises. The success of the Company's limited franchise program resulted in focusing the Company's emphasis to a greater degree upon generating revenue at the retail level. See "Business—Franchised Operators". Since 1975, the Company has been selling gasoline; gasoline sales attract customers to the convenience stores and provide an important contribution toward the overhead of the Company. In June, 1978, the Company commenced the operation of its own non-franchised stores, and today operates 120 of the 181 stores.

The Company has continued to expand as the result of internal growth and acquisitions of existing store locations. In October, 1981, the Company acquired from Sunnybrook Farms, Inc. 63 convenience stores located in Rhode Island and Eastern Massachusetts, of which 39 stores were retained after the sale and/or closing of less desirable stores. Effective April 30, 1983, the Company acquired 34 convenience stores in Rhode Island from Dutchland Farm, Inc. All of the remaining convenience stores acquired from Sunnybrook Farms, Inc. and Dutchland Farm, Inc. now operate under the name Dairy Mart. See "Business—Expansion".

Charles Nirenberg and members of his family own 95.9% of the issued and outstanding Common Stock of the Company. After the completion of the offering, including a sale of shares by Mr. Nirenberg and his wife, Mr. Nirenberg and his family will own 62.1% of the Company's issued and outstanding shares of Common Stock, and, accordingly, will be in a position to control the policies of the Company, elect the Company's Board of Directors, and amend the Company's Certificate of Incorporation and by-laws. See "Principal and Selling Shareholders".

Dairy Mart Convenience Stores, Inc. was incorporated in Delaware in 1972 and maintains its executive offices at 240 South Road, Enfield, Connecticut 06082 (Telephone: 203-745-1661).

DILUTION

The net tangible book value of the Company at April 30, 1983 (as adjusted to reflect the 7 for 1 stock split effected on May 20, 1983) was $1,612,082 or $2.21 per share.

AMERICAN FINANCIAL CORPORATION

American Financial Corporation is a major diversified financial company whose subsidiaries engage in businesses which provide a wide range of services to meet financial needs. In the past few years, it has taken a strong ownership position in several of the major publicly-owned small food store chains.

Company	9th Survey Number of Stores	10th Survey Number of Stores	11th Survey Number of Stores	12th Survey Number of Stores	13th Survey Number of Stores
UtoteM	934	927	931	949	959
Circle K	1,158	1,200	1,194	1,211	1,221
National Convenience	806	817	832	922	1,214
Sunshine Jr	316	336	353	354	358
Totals	3,214	3,280	2,957	3,436	3,752

	Percent of Ownership		
	11th Survey	12th Survey	13th Survey
UtoteM	100.0%	100.0%	100.0%
Circle K	5.2%	5.2%	11.4%
National Convenience	21.8%	23.6%	24.0%
Sunshine Jr.	-	-	8.4%
Totals			

Convenience Stores

Net Sales in 1982	$439 million
Pretax Operating Profit before discontinued operations in 1982	$25.4 million
Number of Employees	6,000
Number of Convenience Stores	959

Operates self-service convenience retail food stores under the name UtoteM.

Major Locations (principal cities and number of stores):
- Texas (Houston, Dallas/Ft. Worth, Austin, San Antonio and other - 407)
- Arizona (Phoenix, Tucson - 110)
- Oklahoma (Oklahoma City, Tulsa - 106)
- California (Santa Ana, San Diego - 96)
- Florida (Miami - 68)
- Alabama (Birmingham, Huntsville - 69)
- Ohio/Kentucky (Cincinnati - 29)
- Kansas/Missouri (Kansas City - 31)
- Colorado (Denver - 35)
- Arkansas (Little Rock - 8)

Executive Officers:

UtoteM, Inc.
- Carl H. Lindner, Chairman of the Board
- James Williamson, Jr., President
- James V. Kirkendall, Senior Vice President
- Ronald F. Walker, Vice President
- N. Ronald Adams, Vice President - Administration
- Duane A. Baukus, Vice President - Marketing
- Ronald L. Chaney, Vice President
- C. James Clemens, Vice President
- James M. Leonard, Vice President
- James E. Richmond, Vice President and Treasurer
- Joel A. Sterrett, General Counsel and Secretary
- Phillip M. Dial, Controller

F. INVESTMENT IN UTOTEM Summarized financial information for UtoteM is as follows (in thousands):

	Year ended December 31		March 1 to December 31
Earnings Statement Data:	**1982**	1981	1980
Net Sales (a)	**$438,968**	$387,709	$268,181
Cost of merchandise sold	**299,605**	262,301	177,070
Earnings before discontinued operations	**14,893**	11,433	6,372
Net Earnings	**14,093**	6,533	3,603

	December 31	
Balance Sheet Data: (b)	**1982**	1981
Current assets	**$ 63,442**	$ 59,398
Non-current assets	**113,944**	104,601
Current liabilities	**41,691**	43,090
Non-current liabilities	**46,185**	40,074

(a) Excludes revenues of discontinued food processing operations of $63 million, $165 million and $90 million in 1982, 1981 and 1980.
(b) Includes discontinued operations current assets ($12.1 million and $11.1 million), non-current assets ($11.0 million and $7.5 million), current liabilities ($3.4 million and $6.3 million) and non-current liabilities ($1.6 million and $1.9 million).

The Company

American Financial Corporation is a holding company with subsidiaries engaged in property and casualty insurance, life insurance and annuities, savings and loan activities and convenience stores.

The management of American Financial is distinctly profit-oriented. The primary objectives of AFC's management are earnings growth and a strong capital base for the Company.

Formed 23 years ago, American Financial today has operations throughout all 50 states and in Canada. Corporate headquarters are located in Cincinnati, Ohio.

HISTORICAL SUMMARY: 7-11 JAPAN CO., LTD.

Data Taken from the Annual Report for the Year Ended 2-28-83

SEVEN-ELEVEN JAPAN CO., LTD.
Toyko, Japan Established 1973

	8th Survey	9th Survey	10th Survey	11th Survey	12th Survey	13th Survey
Year Ended			2/29/80	2/28/81	2/28/82	2/28/83
Number of Stores	375	591	801	1,040	1,306	1,643
Store Growth in Year		216	210	239	266	337
Store Days			254,736	335,863	428,012	538,024
Sales per Day			$2,052	$1,905	$1,967	$2,028
Sales Growth $DPD				$−147	$+65	$+61
Pretax Profits $DPD			$83.03	$85.36	$87.88	$95.73
After Tax Profit $DPD			$36.86	$39.23	$38.40	$41.67
Store Closures				-	-	21
Gasoline Units				-	-	-

Basis for Profit per Day Determination (in U.S. Dollars)

Operated 1,643 7-Eleven stores in Japan on February 28, 1983, of which 1,460 are franchised.

To Our Stockholders

Fiscal 1983 was another successful year for Seven-Eleven Japan. Net sales were up, net income was up, and net income per share was up. These and other gratifying results justify our direction. In order to enhance our service to customers, management has determined to make Seven-Eleven a systems-based "information industry." The fast-changing environment mandates this decision, and Seven-Eleven will be better positioned to make the '80s a decade of successful growth.

Fiscal 1983 was another very successful year for Seven-Eleven Japan. As in every year since its commencement of store operations in fiscal 1975, earnings were substantially over the previous year.

Net sales reached ¥256,470 million (US$1,091 million), a 26.9%, ¥54,366 million (US$231 million) increase over fiscal 1982. Net income rose 33.5% to ¥5,268 million (US$22.4 million), a ¥1,323 million (US$5.6 million) increase. And significantly, net income per share was ¥144.0 (US$0.613), up 33.5% from ¥107.9 (US$0.459) a year ago.

We added 358 new stores and closed 21, bringing the total number to 1,643 from last year's 1,306. New areas included Saga, Miyagi, and Hiroshima Prefectures.

These are gratifying and encouraging results attained in an extremely adverse retailing environment. They attest to the improvement of management emphasis on greater productivity through constant marketing and analysis of consumer trends, thus enabling us to respond promptly and efficiently to the changing consumer requirements. Future performance ultimately depends on our better serving the customer.

Seven-Eleven continues to strengthen its position as a systems-based "information industry," for management feels this age of rapid change mandates such a direction. Seven-Eleven's ability to constantly improve its service will be based on this determination.

The adoption of POS registers in all stores, completed in fiscal 1983, is only a first step toward the eventual implementation of a complex nationwide store information system. However, we anticipate immediate results — higher product turnover through prompt and more accurate inventory control — leading to enhanced profitability.

Chairman Masatoshi Ito

The effective utilization of the POS registers and related systems is based on two requisite factors: our already existing information collection and transmission network, and the fact that a strong information oriented strategy has long been one of our strengths. With POS now integrated into the existing system, we are ready for a second stage, and will adopt the Electronic Order Booking (EOB) system in the coming fiscal year.

We believe that with effective utilization of the new ordering system, we will be better able to identify and anticipate our customers' needs. It will allow us to promptly provide them with the right selection of products in our stores.

Other stages will follow. Seven-Eleven emphasizes the development of a sophisticated system that will enable it to improve employee performance and physical auditing techniques, and monitor energy-related store systems. It is clear that the future growth and stability of the retail industry must depend upon how sophisticated and effective are its information processing and control systems.

Yet, at the center of these systems there will always be a human. An advanced technological system is no more than a tool for decision making. Reaching decisions on the basis of good information is the human role. Thus, along with its development of technological systems, Seven-Eleven constantly strives to improve its management techniques and to support its employees as decision makers.

We learn in the retailing business how to position ourselves in the surge of changes brought forth by new life-styles and technological innovations. Our stores are exposed to the trained eyes of the customers, so we must provide convenience — the right products on-hand — to satisfy our customers' immediate needs.

One of our practices for fulfilling our policy to this end is the careful surveillance of product movement. During fiscal 1983 alone, 2,100 items were replaced with new or faster selling products. Our accumulated operational experience and constant analysis have made it possible to live up to our customers' expectations.

Aggressive store expansion and continuous innovation have lead Seven-Eleven Japan to a top position in the convenience store industry, and to enhanced profitability for franchisees and for Seven-Eleven Japan.

Seven-Eleven Japan will respond to the favorable evaluation of its performance by a stock split planned for the next fiscal year. This will allow investors to more easily make Seven-Eleven part of their portfolios.

Masatoshi Ito

Masatoshi Ito
Chairman and Representative Director

Toshifumi Suzuki

Toshifumi Suzuki
President and Representative Director

President Toshifumi Suzuki

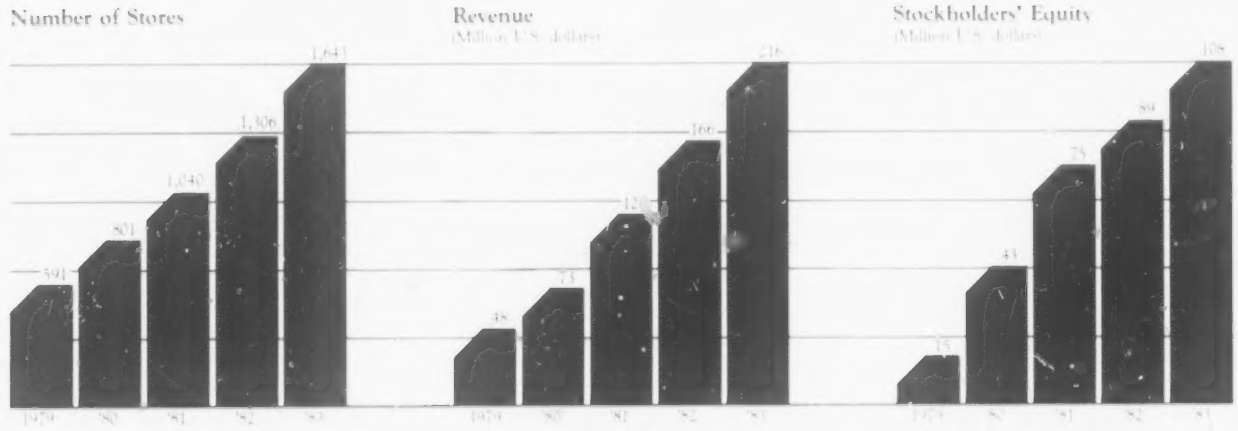
Management's Discussion and Analysis

Net Sales

Net sales for the period ended February 28, 1983 were ¥256,470 million (US$1,091 million), consisting of ¥236,524 million ($1,006 million) in net sales recorded by franchised stores and ¥19,946 million ($85 million) from corporate stores. This represents a 26.9%, ¥54,366 million ($231 million) increase over last year's ¥202,104 million ($860 million). This increase was made possible by Seven-Eleven's reliance on the concept of the convenience store as it opened new outlets, brought in new products, and introduced a new merchandising system, all with an eye to improving customer service. These efforts have borne fruit in the remarkably high sales levels for the 358 outlets opened during the past year (21 closed in fiscal 1983, with 337 in net increase), which was a significant factor in the increase in net sales. Furthermore, by developing new products and introducing the Point-of-Sales (POS) system in all stores, it was possible to ensure customer satisfaction by offering the products they desire, a factor which contributed greatly to the increase in sales in existing stores. Sales of the foodstuffs sector increased 25.4%, ¥40,044 million ($170 million), over the previous year to ¥197,483 million ($840 million) and included ¥37,958 million ($162 million) in fresh foods, ¥116,438 million ($495 million) in processed foods, $43,087 million ($183 million) in fast foods. Net sales for sundries were ¥58,988 million ($251 million), up 32.1%, ¥14,323 million ($61 million), over last year. Especially significant was the 43.1%, ¥12,974 million ($55 million) increase in fast foods sales.

Operating Revenue

The operating revenue consists of commissions on the net sales of franchised stores, the net sales of corporate outlets, and other income. The operating revenue for the period ended February 28, 1983 was an aggregate ¥50,846 million ($ 216 million), including ¥28,599 million ($122 million) in commissions from franchised stores, ¥19,946 ($85 million) in net sales from corporate outlets, and ¥2,301 million ($10 million) in miscellaneous revenues. This represents a 30.3%, ¥11,820 million ($50 million) increase over the aggregate operating revenue of ¥39,026 ($166 million) of last year, indicating steady growth for each source of revenue.



Net Income

Net income before taxes was ¥12,104 million ($51.5 million), an increase of 34.1%, ¥3,077 million ($13.1 million), over the previous year. Principal reasons for the rise included an increase in net income of ¥6,371 million ($27.1 million) due to the higher revenue from corporate and franchised stores brought about by a gain in net income and the ¥257 million ($1.1 million) increase in the positive financial balance. On the other hand, among the factors holding down net income were the increase in selling, general and administrative expenses brought about by rising wages, as well as depreciation and amortization and utility expenses involved in the opening of new outlets. However, because of efforts to reduce costs in other areas, these expenses increased only 18%, ¥3,582 million ($15.2 million) over the previous year. Net income after taxes amounted to ¥5,268 million ($22.4 million), 33.5%, ¥1,323 million ($5.6 million), over last year. Consequently, the return on revenue maintained its high level at 10.4%, up 0.3% over the previous year. Moreover, with the rise in the number of store clusters in the existing areas, there has been increased efficiency in distribution and supervision, resulting in reduced costs.

Net Income and Cash Dividends Per Share

The excellent performance of the past year was reflected in the net income per share of ¥144.0 ($0.613), up 33.5%, ¥36.1 ($0.154) over the previous year (adjusted for the free share distribution) representing a firm maintenance of the high level of previous years. Due to strong investor support, and in consideration of the excellent showing posted for the past year, Seven-Eleven Japan was able to pay dividends of ¥26.0 ($0.111) per share, an increase of 30.0%, ¥6.0 ($0.026) over last year's ¥20.0 ($0.085).

Total Assets

Total assets at February 28, 1983 were ¥52,134 million ($222 million), an increase of 26.9%, ¥11,065 million ($47 million), over the end of the previous period. The principal factors accounting for the gain were the ¥12,280 million ($52 million) in acquisition costs of property and store facilities for the 358 new stores opened during the year, and a ¥978 million ($4 million) increase in deposits. A primary cause of decrease in total assets was the increase of depreciation of property and equipment to ¥2,670 million ($11 million).

STORES OWNED BY OTHER PUBLICLY-OWNED COMPANIES

For your information, we've also included some statistics from the annual reports of other publicly-owned companies that operate small food stores. The annual reports of these corporations do not break out their store operations in sufficient detail to allow dollars per day analysis. These companies operate the following units:

		Number of Stores 8th Survey	Number of Stores 9th Survey
Consolidated Food	Lawson's		730
Jewel	White Hen Pantry	216	217
Sigmor	Shopping Stations	200+	240
Marsh	Village Pantries	98	109
Knudsen	Hoagy's Corner	47	53
Ashland Oil, Inc.	SuperAmerica Save Mart		
Silverwood Industries Limited	Mac's		
Fairview Limited			
Hop-In		112	132
Convenient Food Mart (includes operations of 50 regional franchisers)			810
7-Eleven Japan Co.	7-Eleven	375**	591**
Cities Service			
American Finanacial Utote Corporation		928	934
Sun Company			
Atlantic Richfield AM/PM			
Kroger: (Dillon)		284	305

* Last years stores are included in the Total Stores Figures
** Not included in Total Stores Figures.

Includes: Time Savers, Quik Stops, and Kwik Shops

Number of Stores 10th Survey	Number of Stores 11th Survey	Number of Stores 12th Survey	Number of Stores 13th Survey
722	730	700	680
234	244	262	275
350	360	357	
118	123	131	140
40	18	18	Went Private
253	N/A*	265	
631	656	701	683
	36	N/A	34
140	152	158	152
888	1,004	1,038	1,078
801**	1,040**	1,306**	1,643
	330	350	
927	931	949	959
	1,202	1,115***	
	500	685	
324	338	349	352

HISTORICAL SUMMARY: CONVENIENT FOOD MART
Data Taken From the Prospectus Dated August 2, 1983

	Year Ended December 1978	Year Ended December 1979	Year Ended December 1980	Year Ended December 1981	13th Survey 12/26/82
Number of Stores	810	888	1,004	1,038	1,078
Store Growth in Year		78	116	34	40
Total Income before Income Taxes			$1,191,828	$1,120,703	$1,959,711
Store Days			346,236	372,648	386,150
Pretax Income Per Store Per Day			$4.21	$3.81	$5.07
After Tax Income Per Store Per Day			$2.24	$1.95	$2.66
Store Closures	26	16	13	34	19

The company is the National Licensor of Convenience-Style, retail food stores. The company's network of regional licensees, acting as independent contractors, have franchised convenient Food Marts in 31 states and in parts of Canada. In the Chicago, Illinois area, 37 stores are franchised directly by Convenient and 10 stores are company operated. Not enough information is year available to breakout sufficient information to include them with the chains included in the Total Dollars Per Day analysis. Convenient became a public company in August, 1983. The initial offering price was $8 per share. The stock closed at $10 on Friday, October 28th, 1983.

Excerpt from the Annual Report of the Jewel Company

In 1982, White Hen Pantry convenience food stores had a good year with pre-tax earnings increasing 19.3% over the prior year. Sales growth was also strong. Sixteen new stores opened and 275 were operating at year end. White Hen Pantry has an excellent history of consistent increases in its profitability and we will continue to allocate ample capital for its growth.

Excerpt from the Annual Report of Consolidated Foods, 7/2/83

Lawsons operates approximately 680 convenience stores in Ohio, Michigan, Indiana and Pennsylvania. Following several years of decline, Lawsons reported improved results for 1983. Total sales were lower than in the previous year because fewer stores were in operation, but sales per store and operating earnings increased. The Lawsons operation has been streamlined, with marginal stores closed. Stores have been upgraded with traffic builders such as gasoline sales, video games and lottery ticket sales. More stores are open 24 hours a day. These factors, along with a stronger economy in Lawsons' heavily industrial market area, should contribute to future earnings growth.

Excerpt from the Annual Report of Kroger, 1/1/83

Dillon's convenience stores, under the names of Kwik Shop, Quik Stop Markets, and Time Saver Stores, are located in northern California, Kansas, Nebraska, Iowa and the New Orleans metropolitan area. Eighteen new convenience stores are planned for 1983 openings.

Mac's Convenience Stores — Mac's achieved record sales of $287,952,000 in 1982 representing a 10.8% increase over the 1981 sales level of $259,985,000. This sales accomplishment is noteworthy, particularly in light of the negative economic impact across virtually all markets typified by high unemployment, low consumer confidence and high interest rates.

During this most challenging year, the Mac's Division achieved its 11th consecutive year of profitability. However, for the fiscal year 1982, Mac's net income declined from the previous year's record profit level. This profit decline occurred in the first fiscal half of 1982 and was directly attributable to the adverse external factors of deepening economic recession and extremely unfavourable climatic factors. Our western operations seemed particularly susceptible to the deep economic shock that overtook Alberta and British Columbia early in 1982.

Management reacted aggressively with a sales and profit improvement program which encompassed converting some 300 stores across the country to a 24-hour operation. Video games were installed in 330 stores in a carefully supervised manner. Store appearance was closely monitored and marketing techniques were refined to increase store traffic.

We are pleased to report that profit growth momentum was regained in the second half of the year with combined third and fourth quarter net income showing an increase over the record second half profit level of fiscal 1981.

Mac's selectively opened only 39 new locations. This reduced level of new store growth is indicative of the depressed level of both residential and commercial real estate development across the country. Fifty-seven no longer viable locations were closed during 1982. Thus, Mac's store network moved from 701 units at year-end 1981 to 683 at the end of 1982.

FarrView Limited — Operating 34 convenience stores in the depressed Michigan market, FarrView generated 1982 sales of $14,283,000 reflecting a slight increase of 1.2% over the prior year. However, through aggressive merchandising and profit improvement programs, FarrView's 1982 operating loss was reduced significantly from prior year.

Hop-In Food Stores, Inc. — Hop-In Food Stores financial results have been significantly below expectations throughout the year. Unfortunately, since the initial acquisition in March 1980, there has been a major and continuing deterioration in the economy of the region within which Hop-In operates. This, together with the lower margins in retail gasoline marketing which have developed due to the change in world supply, weakened operational performance. Thus, much management time is being spent in reorganizing, for 1983, this major entry into United States convenience store retailing.

Hop-In Food Stores ended 1982 with 152 convenience food stores operating in the States of Virginia, North Carolina and Tennessee. Self-serve gasoline is provided in 131 of these units. Total 1982 sales including gasoline approximated $102,000,000, some 2.6% higher than 1981. Of these sales, $52,067,000 were recorded after June 24, 1982, when Hop-In became a wholly-owned subsidiary.

illage Pantry® stores offer convenience, quality name brands and friendly service. Each store is conveniently located in areas of large cities and in small towns where a large supermarket isn't needed to serve the needs of the neighborhood customer.

Customers can select from over 3,500 items in stock at Village Pantry. Careful analysis of product movement is a critical part of making sure that the products the customers want are always available . . . the key to any successful convenience store concept.

The Deli/Fast Food section is quickly becoming popular for busy people on the go. Freshly baked pastries, ready-to-serve salads, desserts and sandwiches are prepared daily by carefully trained Village Pantry personnel. Approximately two million sandwiches were sold last year. A new, self-service beverage area has been added to provide hot coffee and cold drinks.

Many shoppers find it convenient to stop for batteries, tape, pencils, lighters and other non-food items. Self-service gasoline is also available at 81 of the 140 Village Pantry stores.

There were 12 new Village Pantry stores opened this past year, keeping with the motto: "If we're not in your neighborhood YET, we're on your way home!".

Village Pantry made a substantial contribution to the past year's earnings and now enjoys a dominate market share of the convenience store business in Indiana. We believe Village Pantry is the price leader in convenience foods such as pastries, soft drinks and sandwiches and continues to emphasize these products in new store layouts, upgrades of existing facilities and promotional efforts. During the year, direct sources of supply for gasoline were established and a substantial portion of the gasoline dispensing equipment used by Village Pantry was acquired from gasoline suppliers from whom it had previously been leased. These actions were a part of our effort to improve margins while assuring product availability in support of the 12.6 million gallon per year gasoline business which is a key element of Village Pantry's sales and earnings future.

In addition, Convenience Store Distributing Company ("CSDC") enjoyed a year of record earnings in serving its 535 customers, including all 140 Village Pantry stores. The concept of offering a product line tailored to convenience stores in less than full case shipments is unique to our area and affords numerous opportunities for CSDC to expand its customer base and further improve its profitability.

Again, we wrote to the chains soliciting information for the Survey. A copy of the letter we sent to the chains follows, as well as their replies to our letters.

Dollars Per Day Survey

1765 Park Road, Benicia, California 94510

Mr. John Thompson
The Southland Corporation
Box 719
Dallas, Texas 75221

Dear John:

I'm in the process of preparing the 13th Annual Dollars Per Day Survey. As you know, each year I've written the companies so they could either prepare or update the Historical and Biographical information on their firms. I appreciate our participation in the past and am asking that you once again review the material on Southland Corporation and send along any changes or modifications for inclusion in the Survey.

We'd like to include any editorial comments you would like to make on the industry or on the Survey. As you know, I've sometimes been editorially critical of some facets of the industry. This feature allows you to agree, disagree, or give your viewpoint on issues affecting the industry. As in previous years, I will publish the material ou submit exactly as it is received. I would ask that the submissions be limited to two or three pages in length.

If you've noted any inaccuracies or misstatements in past reports, I'd appreciate notification so I can correct them in this year's issue. It's my intention to have the Survey serve as a positive force for change and improvement in this business. Your cooperation will be appreciated.

Yours very truly,

John F. Rosco

DATE OF RECEIPT OF ANNUAL REPORT

SDPD Profit Ranking	Company	Year Ended	Report Received
1	Shop & Go	3-31-83	7-20-83
2	Circle K	4-30-83	8-08-83
3	Southland	12-31-82	8-06-83
4	National Convenience	6-30-83	10-13-83
5	Lil' Champ	4-30-83	8-20-83
7	Little General	12-25-82	3-29-83
8	Mini Mart	8-31-82	2-12-83
9	Sunshine Jr.	12-30-82	4-26-83
10	Conna	5-29-83	8-30-83
11	Munford	12-30-82	3-25-83

Year Covered

This report covers the latest fiscal year reported by each of the chains. Years included in the survey range from Mini Mart's fiscal year ending August 31, 1982, to National Convenience Stores' fiscal year, which ended June 30, 1983. The annual reports for these years were received by the stockholders on February 12, 1983, for Mini Mart and on October 13, 1983, for National Convenience. This schedule shows the date each company's fiscal year ended, as well as the date the reports were received by the stockholders.

AVERAGE FIGURES FOR THE CHAINS IN THIS SURVEY

	Fifth Survey	Sixth Survey	Seventh Survey
Average Sales Per Store Per Day	$636	$658	$723
Sales Growth (average day this year versus average day last year)*	+50	+22	+65
Total Sales Per Store Per Year*	232,140	240,828	263,895
Sales Per Store Per Week*	4,452	4,606	5,061
Total Pretax Profit on Sales Per Store Annually*	7,723	8,762	9,194
Total After Tax Profit Per Store Annually*	3,978	4,523	4,752
Pretax Profit Per Store Per Day*	21.16	23.94	25.19
After Tax Profit Per Store Per Day*	10.90	12.36	13.02
Percentage of Profit Pretax on Store Sales	3.32%	3.64%	3.56%
Percentage of Profit After Tax on Store Sales	1.71%	1.92%	1.82%

*Dollars

Eighth Survey	Ninth Survey	Tenth Survey	Eleventh Survey	Twelfth Survey	Thirteenth Survey
$751	$859	$978	$1,086	$1,222	$1,310
+28	+108	+119	+112	+136	+88
274,115	313,535	356,970	396,390	446,030	478,150
5,257	6,013	6,846	7,602	8,577	9,170
10,026	12,052	13,935	14,687	18,870	18,338
5,431	6,395	8,964	8,628	10,705	10,574
27.47	33.02	38.18	40.24	51.70	50.24
14.88	17.52	24.56	23.63	29.33	28.97
3.65%	3.84%	3.90%	3.70%	4.23%	3.90%
1.98%	2.04%	2.51%	2.17%	2.40%	2.25%

ADDRESSES AND TELEPHONE NUMBERS OF THE COMPANIES IN THE DOLLARS PER DAY SURVEY.

Mini Mart Corporation
2991 S. W. 32 Ave.
Hollywood, Florida 33023
305-493-5200

CONNA Corporation
P. O. Box 660
Louisville, Kentucky 40101
502-584-1281

Shop & Go
P. O. Box 428
Mango, Florida 33550
813-689-8161

Sunshine Jr. Stores, Inc.
P. O. Box 4498
Panama City, Florida 32401
904-769-1661

Li'l General
P. O. Box 13198
Tampa, Florida 33511
813-837-1091

The Southland Corp.
Box 719
Dallas, Texas 75221
214-828-7011

Lil Champ Food Stores, Inc.
P. O. Box 8987
Jacksonville, Florida 32211
904-624-1661

The Circle K Corporation
P. O. Box 20230
Phoenix, Arizona 85036
602-268-1351

National Convenience Stores
P. O. Box 758
Houston, Texas 77001
713-863-2200

Munford, Inc.
1860-74 Peachtree Road, N.W.
Atlanta, Georgia 30309
404-352-6641

Dairy Mart
240 South Road
Enfield, Connecticut 06082
203-745-1661

Casey's General Stores, Inc.
1229 N. E. Broadway Avenue
Des Moines, Iowa
515-263-3700

AGGREGATE PROFIT AND LOSS STATEMENT
For the Twelve Chains in the Survey

	Percent This Year	This Year	Last Year
Total Store Sales	100.00%	$5,944,042,832.00	$5,504,965,653.00
Cost of Goods Sold—Store	72.00%	4,279,711,072.00	3,963,575,232.00
Store Gross Margin	28.00%	1,664,331,760.00	1,541,390,421.00
Gasoline Margin		137,002,220.00	171,602,400.00
Total Margin		1,801,331,980.00	1,712,992,821.00
Expense		1,569,562,076.00	1,480,079,878.00
Net Profit Before Income Tax		231,771,904.00	232,912,943.00
Net Profit After Income Tax		133,641,510.00	132,126,821.00

PROFIT AND LOSS STATEMENT OF THE AVERAGE STORE BY DAY
For the Twelve Chains Included in the Survey

	Percent This Year	This Year	Last Year
Store Sales	100.00%	$1,310.00	$1,222.00
Cost of Goods Sold—Store	72.00%	943.20	879.84
Store Gross Margin	28.00%	366.80	342.16
Gasoline Margin		30.19	38.10
Total Margin		396.99	380.26
Expense		346.75	328.56
Net Profit Before Income Tax		50.24	51.70
Net Profit After Income Tax		28.97	29.33

ANNUAL PROFIT AND LOSS STATEMENT
For the Average Store Included in the Survey

	Percent This Year	This Year	Last Year
Store Sales	100.00%	$478,140.00	$446,030.00
Cost of Goods Sold--Store	72.00%	344,268.00	321,141.00
Store Gross Margin	28.00%	133,882.00	124,889.00
Gasoline Margin		11,019.00	13,906.00
Total Margin		144,901.00	138,795.00
Expense		126,563.00	119,924.00
Net Profit Before Income Tax		18,338.00	188,700.00
Net Profit After Income Tax		10,574.00	10,705.00

PRETAX PROFIT GROWTH SCHEDULE

Dollars per Day Profit Ranking		Pretax Profit per Store per Day Growth over Last Year
1	Shop & Go	− $.07
2	National Convenience	+ 4.54
3	Southland	− 1.33
4	Circle K	− 6.32
5	Lil' Champ	+ 3.43
6	Mini Mart	+ 8.61
7	Little General	+ .39
8	Casey's General Stores	+ 8.38
9	Sunshine Jr.	− 3.75
10	Munford	+ 8.35
11	Dairy Mart	+10.79
12	Conna	−18.14
Average Profit Increase per Day Over Last Year (Dollars)		−$1.46
Average Profit Increase per Day Over Last Year (Percentage)		− 2.8%

PROFIT PER STORE PER DAY

The average profit (unadjusted for inflation) declined 2.8%, or $1.46, per store per day for the year. In numbers, the chains were evenly split this year. Six showed profit per day increases and six chains registered decreases. Last year, the survey average was $51.70 per store per day in pre-tax profit, and this year is $50.24.

PRETAX DOLLARS PER DAY

Dollars per Day Profit Ranking	Company	Number of Stores	Pretax Profit per Store per Day
1	Shop & Go	415	78.74
*2	National Convenience	1,012	65.03
3	Southland	7,165	59.34
4	Circle K	1,221	54.43
5	Lil' Champ	170	51.68
6	Mini Mart	110	32.41
*7	Little General	431	25.81
8	Casey's General Stores	377	22.67
9	Sunshine Jr.	358	18.14
*10	Munford	959	15.20
11	Dairy Mart	143	11.27
*12	Conna	435	−1.72
Total Stores In Survey		12,796	
Average Dollars Profit Per Day			50.24

*FIFO Inventory Valuation for Store Inventories

THE EFFECT OF INFLATION ON SALES

We have computed the effect of inflation on sales dollars using the Consumer Price Index as the multiplier. The average store sales increased by $32,120 this year for an average daily sales increase of $88.00. Based on the previous survey, average store sales would only have had to increase by $16,006 for the year (or $43.85 per store per day) to keep pace with the Consumer Price Index. On the average, the figures for the past two years have been much improved. Remember that Southland's figures impact heavily on the survey average, and mask some severe sales problems in some of the other chains.

SALES COMPARISONS

Sales growth in real dollars is an important indicator of both past and future performance of retailing companies. There have been wide variations in the sales growth by store between the chains in the survey. Constant dollar sales growth is a good measure of how their merchandise format is responding to changes in their stores' marketing environment.

Little General has achieved the top spot in Constant Dollar Sales Growth this year. Their average daily sales per store have grown 32% over the life of the Survey. Lil' Champ's constant dollar average sales have declined 28% since they entered the survey in 1973. Half of the chains made sales gains against inflation this year. Southland, Little General, Dairy Mart, Munford, Lil' Champ, and Casey's made real sales growth.

In 1971, the average store sold $495 in merchandise from each store each day. Thirteen years later in inflated dollars, the average store sold $1,310 of merchandise in each store each day. When $1,310 is adjusted for the inflation since 1971, average store sales in 1983 were $532 in 1971 dollars. Constant dollar sales increased 37 per store per day in the thirteen year period.

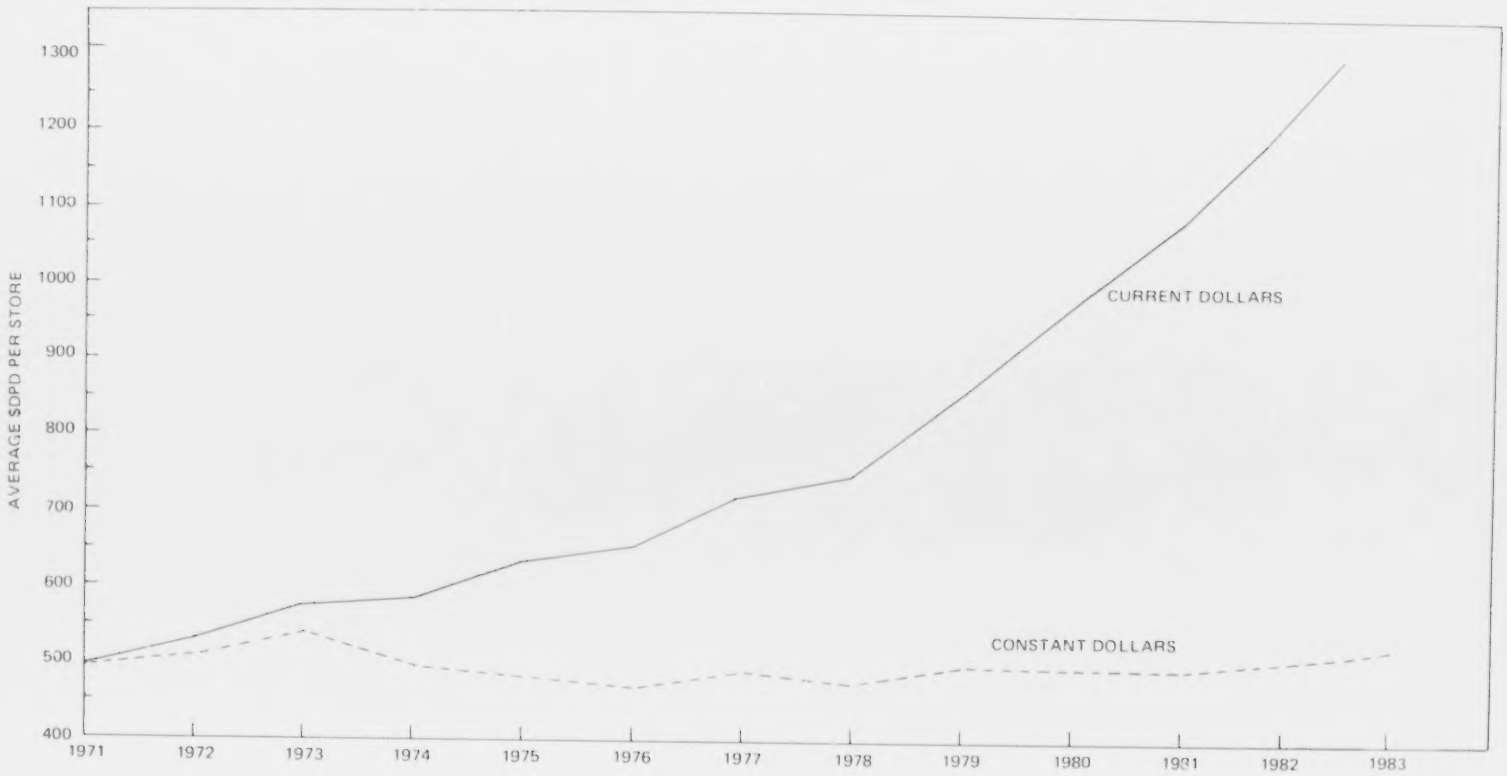
You also need to remember that in 1971 most stores operated on a 16-hour a day basis, whereas in 1983, a great number of chains operate their stores on a 24-hours basis. In terms of 1971 dollars that has been and continues to be a significant real reduction in sales per store per day for many of the chains. To grow and prosper, businesses must achieve constant dollar sales growth. To stay in business, they must not let their real sales atrophy.

STORE SALES VERSUS THE CONSUMER PRICE INDEX

Year	January 1 Consumer Price Index	Average Daily Sales $DPD Survey	Average Daily Sales Needed to Keep Pace with CPI*	Average Annual Sales $DPD Survey	Average Annual Sales Needed To Keep Pace	Deviation from Inflation Pace
1971	119.2	$ 495		$180,675	$ 0	$ 0
1972	123.2	530	512	193,450	186,817	+6,633
1973	127.7	579	530	211,335	193,502	+17,833
1974	139.7	586	580	213,890	211,751	+2,139
1975	156.1	636	658	232,140	236,684	−4,544
1976	166.7	658	692	240,828	252,583	−11,755
1977	175.3	723	728	263,895	265,772	−1,877
1978	187.2	751	777	274,115	283,659	−9,544
1979	204.7	859	850	313,535	310,218	+3,317
1980	233.2	978	968	356,970	353,400	+3,570
1981	260.5	1,086	1,082	396,390	394,930	+1,460
1982	282.5	1,222	1,173	446,030	428,199	+17,831
1983	293.1	1,310	1,217	478,150	444,205	+33,945

*Based on first survey.

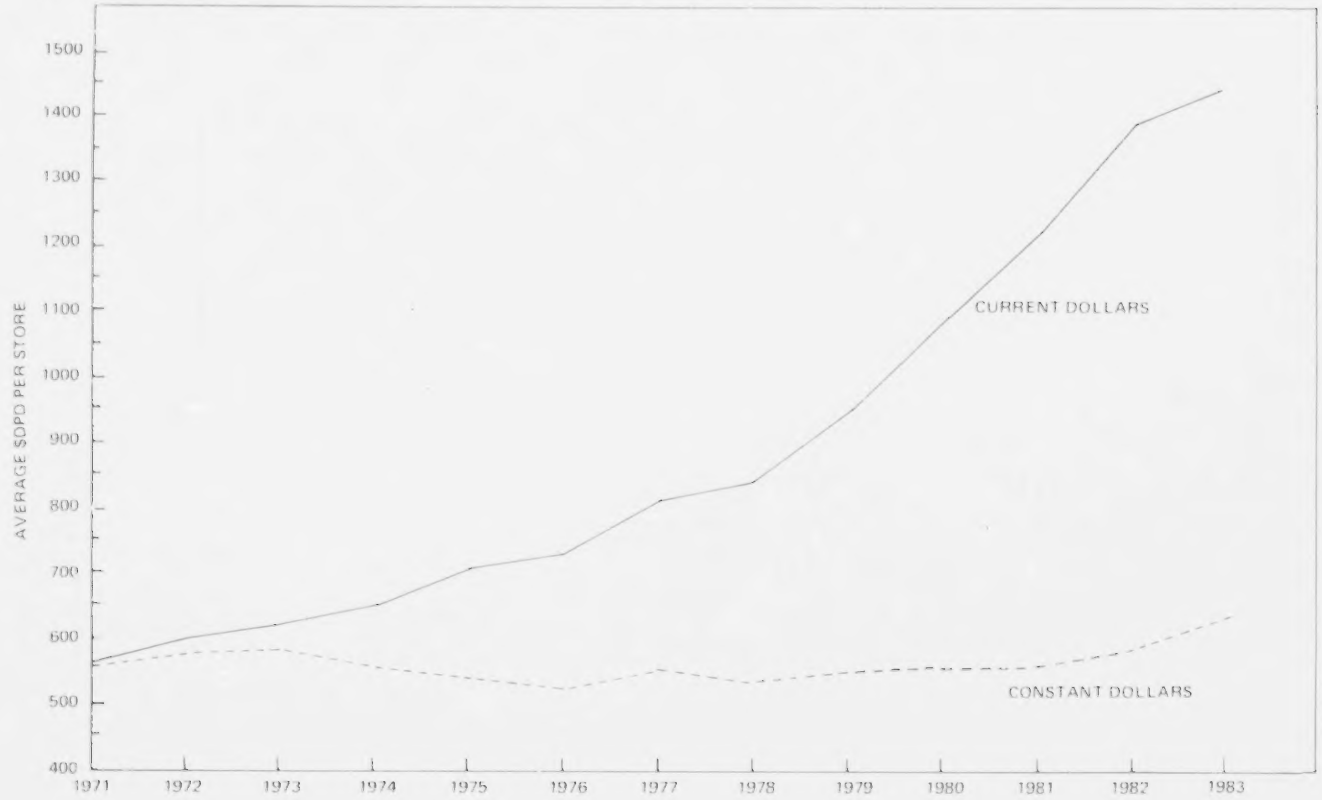
Sales Comparison
Current Versus Constant Dollar Sales for the Small Food Industry



Sales Reported in $DPD Survey	$495	$530	$579	$586	$636	$658	$723	$751	$859	$978	$1,086	$1,222	$1,310
Constant Dollars Adjusted for Inflation	$495	$513	$541	$500	$485	$471	$492	$478	$500	$500	$497	$516	$532
Real Sales Growth from Base Year Sales	–	+$18	+$46	+$5	–$10	–$24	–$3	–$17	+$5	+$5	+$2	+$21	+$37
CPI–Urban Consumers 1967 = 100	119.2	123.2	127.7	139.7	156.1	166.7	175.3	187.2	204.7	233.2	260.5	282.5	293.1

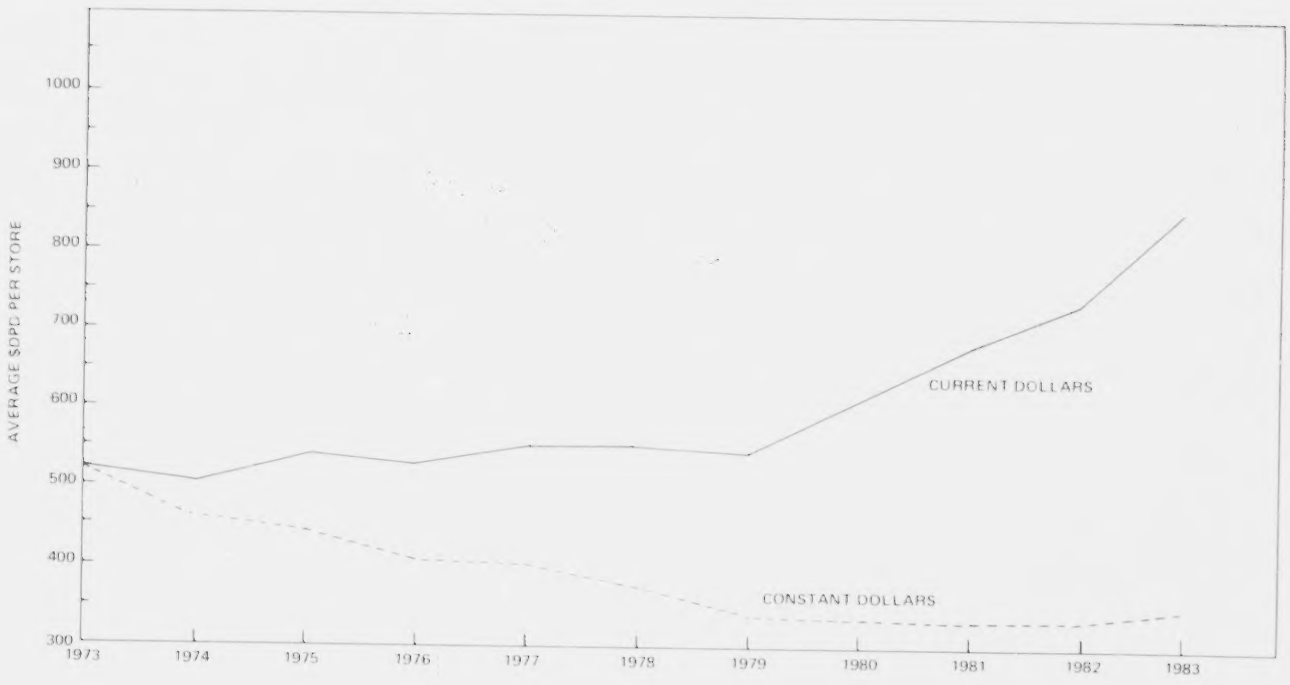
Sales Comparison
Current Versus Constant Dollar Sales for Southland

The 1971 10K for Southland states that most stores operated from 7 a.m. to 11 p.m. The 12/31/81 10K states that 6,328 stores or 90% operated 24 hours a day, and an additional 350 stores or 5% operated for extended hours (beyond 7 a.m. to 11 p.m.) during 1982. This year the 10K states the vast majority of stores are open 24 hours a day. This schedule shows that 7-Eleven's sales increased from $564 per store per day in 1971 to $623 in 1982 (in constant 1971 dollars). This is an increase of $+59 or 10%. If night sales are factored in, we estimate that 7-Eleven actually had sales decreases of about 9% per store per day between 1971 and 1982. This means that 7 a.m. to 11 p.m. sales have declined to $513 per store per day in 1971 dollars, given comparable operating hours.



	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Average $DPD Sales in Current Dollars	$564	$598	$624	$653	$708	$731	$813	$841	$950	$1,087	$1,219	$1,394	$1,532
Constant Dollar Sales Adjusted for Inflation	$564	$576	$583	$557	$540	$523	$553	$535	$553	$ 556	$558	$588	$623
Real Sales Growth from Base Year Sales	-	+$14	+$19	-$7	-$24	-$41	-$11	-$28	-$11	-$8	-$6	+$24	+$59
CPI - Urban Consumers 1967 = 100	119.2	123.2	127.7	139.7	156.1	166.7	175.3	187.2	204.7	233.2	260.5	282.5	293.1

Sales Comparison
Current Versus Constant Dollar Sales for Lil' Champ



	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Average Daily Sales in Current Dollars	$525	$505	$541	$532	$553	$550	$544	$612	$682	$736	$828
Constant Dollar Sales Adjusted for Inflation	$525	$462	$443	$408	$403	$375	$339	$335	$334	$333	$360
Real Sales Growth from Base Year Sales		-43	-98	-124	-150	-175	-205	-190	-191	-192	-$165
CPI–Urban Consumers 1967 = 100	127.7	139.7	156.1	166.7	175.3	187.2	204.7	233.2	260.5	282.5	293.1

SALES GROWTH RANKING
In Constant Dollars Over Their Base Year

Constant Dollar Sales Growth Ranking	Company	Sales Growth or Loss in Constant Dollars	Sale Growth or Loss
1	Little General	$ +110	+32%
2	National Convenience	+ 75	+18%
3	Southland	+ 59	+10%
4	Munford	+ 30	+10%
5	Casey's General Stores	− 6	− 1%
6	Circle K	−113	−21%
7	Sunshine Jr.	−138	−37%
8	Shop & Go	−144	−27%
9	Dairy Mart	−148	−14%
10	Mini Mart	−154	−29%
11	Lil' Champ	−165	−31%
12	Conna	245	−28%
	Totals	$ + 38	+7.7%

SALES COMPARISON
Current Dollar Sales Versus Constant Dollar Sales for the Twelve Chains in the Survey

Dollars Per Day Profit Ranking	Company	1971 $DPD Average Daily Sales	1983 $DPD Average Daily Sales
1	Shop & Go	$532	$892
2	National Convenience	418	1,214
3	Southland	564	1,532
4	Circle K	535	1.038
5	Lil' Champ	525*	828
6	Mini Mart	530**	705
7	Little General	340	1,107
8	Casey's General Stores	707***	789
9	Sunshine Jr.	370	570
10	Munford	307	829
11	Dairy Mart	1.045***	1.009
12	Conna	877	1,554
Totals		$495****	$1,310

* Base Year 1973

** Base Year 1975

*** Base Year 1981

**** 1971 Average for chains in the survey at that time

1983 CPI is 245.88% of 1971 CPI

1983 CPI is 229.52% of 1973 CPI

1983 CPI is 187.76% of 1975 CPI

1983 CPI is 112.51% of 1981 CPI

Sales Growth 12 Yr. Period Current Dollars	Percent Sales Increase in Current Dollars	1983 Average Daily Sales in Constant Dollars	Sales Growth for 12 Yr. Period in ConstantDollars	Percent Sales Growth in Constant Dollars
$360	68%	$388	$−144	−27%
796	190%	493	+75	+18%
968	172%	623	+59	+10%
503	94%	422	−113	−21%
303	58%	360	−165	−31%
175	33%	376	−154	−29%
767	226%	450	+110	+32%
82	12%	701	−6	−1%
200	54%	232	−138	−37%
522	170%	337	+30	+10%
−36	−3%	897	−148	−14%
677	77%	632	−245	−28%
$815	165%	$533	$+38	+7.7%

STATUS OF SALES, MARGIN, AND EXPENSE

Note the following recap of these important areas. They have been broken down on a per store per day basis.

Year	Sales	COGS*	Store** Margin	Gasoline Margin	Total Margin
1971	$495	$356.40	$138.60	$10.00	$148.60
1972	530	381.60	148.40	10.00	158.40
1973	479	416.55	162.12	20.00	182.12
1974	486	421.92	164.08	20.00	184.08
1975	636	473.76	178.05	25.00	203.05
1976	658	473.76	184.24	25.00	209.24
1977	723	520.56	202.44	25.00	227.44
1978	751	540.72	210.28	25.00	235.28
1979	859	618.48	240.52	24.18	264.70
1980	978	704.29	273.88	36.69	310.57
1981	1,086	781.92	304.08	34.67	338.75
1982	1,222	879.84	342.16	38.10	380.26
1983	1,310	943.20	366.80	30.19	396.99
Change Since 1971:	$+815	$+586.80	$+228.20	$+20.19	$+248.39

Expenses	Profit	Sales Growth	Expense Growth	Profit Growth
$134.15	$14.45	Base Yr.	Base Yr.	Base Yr.
140.67	17.73	$ 35	$6.52	3.28
163.37	18.75	49	22.70	1.05
164.24	19.84	7	.87	1.06
181.89	21.16	50	17.65	1.32
185.30	23.94	22	3.41	2.78
202.25	25.19	65	16.95	1.25
207.81	27.47	23	5.56	2.28
231.68	33.02	108	23.87	5.55
272.39	38.18	119	40.71	5.16
298.51	40.24	112	326.12	2.06
328.56	51.70	136	30.05	11.46
346.75	50.24	88	18.19	1.46
$+212.60	$+35.79	$+815	$+212.60	$+35.79

*Assuming a 72% Cost of Goods Sold on store merchandise.

**Gas Margin: An arbirtrary Gasoline Margin Dollars Per Day was used between 1971 and 1978. Beginning in 1979, the daily Gas Margin Per Day per gasoline dispensing unit of National Convenience was used. This figure was multiplied by the percentage of stores with gasoline units in the survey for the year to arrive at this daily gasoline margin figure.

AVERAGE SALES PER STORE PER DAY RANKING AND THIS YEAR'S SALES GROWTH VERSUS INFLATON

Average Sales Per Day Ranking	Company	Sales Per Store Per Day	Sales Growth Per Store Per Day This Year	% Sales Increase This Year Over Last Year	Sales Needed To Keep Pace With CPI	Sales Increase or Decrease in Constant Dollars
1	Conna	$1,554	$+19	+1%	$1,593	$-39
2	Southland	1,532	+138	+10%	1,446	+86
3	National Convenience	1,214	-84	-6%	1,347	-133
4	Little General	1,107	+85	+8%	1,060	+47
5	Circle K	1,038	+35	+3%	1,041	-3
6	Dairy Mart	1,009	+75	+8%	969	+40
7	Shop & Go	892	-21	-2%	947	-55
8	Munford	829	+91	+12%	766	+63
9	Lil' Champ	828	+92	+13%	763	+65
10	Casey's General Stores	789	+53	+7%	764	+25
11	Mini Mart	705	-22	-3%	754	-49
12	Sunshine Jr.	570	+8	+1%	583	-13
Averages		$1,310	$ 88	7%	$1,268	42

All sales are for food store sales only. Gasoline has been excluded, so sales are comparable among companies.

To adjust to 1981 dollars, the CPI for January, 1983 was divided by the CPI for January, 1982 (293.1 divided by 282.)

PROFIT GOAL

In our first survey in 1971, we established a profit goal for the industry of $30.00 per store per day. We felt $30 was a reasonable return on invested capital and for the considerable downside risks represented by the off-balance sheet liabilities of most firms. Our $30 figure, however, was based on the value of money in 1971. Because of inflation, in 1982, it takes $73.76 per store per day to equal $30.00 in 1971 dollars. This year, Shop & Go averaged $78.74 per store per day. This amounted to $32.02 in constant 1971 dollars, and again exceeds our original profit goal.

Inflation & Profit Goals

In this report, we have used the Consumer Price Index for all urban consumers (1967 = 100) as supplied by the U. S. Department of Labor. We have used the January dollars. Divide the CPI for January, 1982 by the CPI for January, 1971; 293.1 divided by 119.2 = 245.88; then divide the current figure by 245.88 to arrive at the constant dollar figure. In the survey, pretax profits have increased from an average of $14.45 per store per day in 1971 to an average of $50.24 in 1982. If the $50.24 pretax profit is adjusted for inflation ($51.70 divided by 245.88), you arrive at a constant dollar pretax figure of $20.43 (in 1971 dollars). Thus, in 1971 dollars, profits have risen $5.98 per store per day, or 50%. This is quite an improvement, but still only two-thirds of our original profit goal. To follow the increase of sales versus inflation, check the other sales schedules that appear in this report.

PROFIT VERSUS CONSUMER PRICE INDEX

Year	January 1 CPI	Average Profit Per Day	Average Profit Per Day Needed to Keep Pace With CPI*	Profit Goal of $30.00 Per Day to Keep Pace With CPI*
1971	119.2	14.45		30.30
1972	123.2	17.73	14.94	31.02
1973	127.7	18.78	15.47	32.13
1974	139.7	19.84	16.93	35.16
1975	156.1	21.16	18.92	39.30
1976	166.7	23.94	20.20	41.94
1977	175.3	25.19	21.25	44.13
1978	187.2	27.47	22.69	47.10
1979	204.7	33.02	24.51	51.51
1980	233.2	38.18	28.26	58.68
1981	260.5	40.24	31.57	65.55
1982	282.5	51.70	34.24	71.10
1983	293.1	50.24	35.53	73.76

*Based on First Survey

AVERAGE $DPD RESULTS
For All Thirteen Years of the Survey

	Average Pretax Profit Per Day	Increase
1972 Dollars Profit per Day per Store	$14.45	Base Year
1973 Dollars Profit per Day per Store	17.73	$+ 3.28
1974 Dollars Profit per Day per Store	18.78	+ 1.05
1975 Dollars Profit per Day per Store	19.84	+ 1.06
1976 Dollars Profit per Day per Store	21.16	+ 1.32
1977 Dollars Profit per Day per Store	23.94	+ 2.78
1978 Dollars Profit per Day per Store	25.19	+ 1.25
1979 Dollars Profit per Day per Store	27.47	+ 2.28
1980 Dollars Profit per Day per Store	33.02	+ 5.55
1981 Dollars Profit per Day per Store	38.18	+ 5.16
1982 Dollars Profit per Day per Store	40.24	+ 2.06
1983 Dollars Profit per Day per Store	51.70	+11.46
1984 Dollars Profit per Day per Store	50.24	− 1.46

STORE GROWTH SCHEDULE FOR THE YEAR

Dollars Per Day Profit Ranking	Company	Stores Purchased	Stores Opened	Stores Closed Or Sold	Net Store Growth
1	Shop & Go	None	18	8	+10
2	National Convenience	131	51	92	+90
3	Southland	None	434	272	+163
4	Circle K	10	10	10	+10
5	Lil' Champ	None	8	0	+8
6	Mini Mart	None	6	10	−4
7	Little General	None	2	31	−29
8	Casey's General Stores	None	39	1	+38
9	Sunshine Jr.	None	21	17	+4
10	Munford	None	Not Given	Not Given	−28
11	Dairy Mart	None	14	11	+3
12	Conna	None	13	12	+1
	Totals	+141	+616	−463	+266

1974 Fourth Annual Survey showed net store growth of 1,042 stores.
1975 Fifth Annual Survey showed net store growth of 928 stores.
1976 Sixth Annual Survey showed net store growth of 672 stores.
1977 Seventh Annual Survey showed net store growth of 360 stores.
1978 Eighth Annual Survey showed net store growth of 644 stores.
1979 Ninth Annual Survey showed net store growth of 323 stores.
1980 Tenth Annual Survey showed net store growth of 247 stores.
1981 Eleventh Annual Survey showed net store growth of 205 stores.
1982 Twelfth Annual Survey showed a net store growth of 107 stores.
1983 Thirteenth Annual Survey shows a net store growth of 266 stores.

STORE CLOSINGS BY COMPANY FOR THE LAST NINE YEARS
Fiscal Years Ending December 31, 1974 and Thereafter

	Lil' Champ	Shop & Go	Sunshine Jr.	Southland	Circle K
5th	-	2	-	142	12
6th	1	-	-	158	24
7th	4	5	3	154	24
8th	None	9	6	254	12
9th	None	19	9	308	24
10th	None	9	8	460	22
11th	None	12	11	281	28
12th	None	21	16	267	*
13th	None	8	17	271	10
Totals	5	85	70	2,295	164

*The Munford Annual Report states that 800 stores were sold or closed. The 10K states 650 stores were sold or closed between 1978–1982.

Conna	Little General	Munford	National Convenience	Mini Mart	Dairy Mart	Casey's General Stores
-	18		71	-	-	-
4	11	-	79	1	-	-
17	20	112	38	5	-	-
8	19	N/A	18	6	-	-
7	30	273	29	21	None	-
8	56	119	28	15	2	-
7	29	N/A	42	9	2	-
8	21	155	73	14	23	1
12	31	N/A	92	10	11	1
71	235	652*	470	81	38	2

PERTINENT INFORMATION ON STORE OPENINGS AND CLOSINGS IN THE LAST NINE YEARS
Fiscal Years Ending December 31, 1974 and Thereafter

	Shop & Go	Circle K	Convenience	Southland	Lil' Champ
Number of Stores in 5th Year Survey	240	947	801	4,801	94
Store Closed Since Then	85	164	470	2,295	5
Closure Rate	35%	17%	59%	48%	5%
Stores Opened or Acquired Since Fifth Survey	260	438	681	4,659	81
Stores in Operation in Thirteenth Year Survey	415	1,221	1,012	7,165	170
Net Store Growth	+175	+274	+211	+2,364	+76
Growth on Base Year	73%	29%	26%	49%	81%

1. Casey's figures since 4/30/79
2. Dairy Mart Figures since 1/31/79

Mini Mart	Conna	Sunshine Jr.	Little General	Munford	Casey's General Stores	Dairy Mart	Total
122	218	215	550	1,348	226	73	9,635
81	71	70	235	652	2	38	4,168
7%	33%	33%	43%	48%	.9%	52%	43%
69	288	213	116	263	153	108	7,329
110	435	358	431	959	377	143	12,796
−12	+217	+13	−119	−389	+151	+70	+3,161
−10%	$100%	67%	−22	−29%	67%	96%	33%

STORE CLOSINGS DURING THE YEAR

Dollars Per Day Profit Ranking	Company	Stores Closed Or Sold	Percent of Stores Operated at Year's End
1	Shop & Go	8	1.93%
2	National Convenience	92	9.09%
3	Southland	271	3.78%
4	Circle K	10	.82%
5	Lil' Champ	None	-
6	Mini Mart	10	9.09%
7	Little General	31	7.19%
8	Casey's General Stores	1	.20%
9	Sunshine Jr.	17	4.74%
10	Munford	Not Given*	-
11	Dairy Mart	11	7.70%
12	Conna	12	2.75%
Totals		-463	3.62%

*The Munford Annual Report states that 800 stores have been sold or closed. The Munford 10K states 650 stores were sold or closed between 1978–1982.

These twelve chains operated a total of 12,796 stores at the close of their last fiscal year.

1974 Fourth Annual Survey showed 172 store closings.
1975 Fifth Annual Survey showed 244 store closings.
1976 Sixth Annual Survey showed 315 store closings.
1977 Seventh Annual Survey showed 464 store closings.
1978 Eighth Annual Survey showed 399 store closings.
1979 Ninth Annual Survey showed 755 store closings.
1980 Tenth Annual Survey showed 789 store closings.
1981 Eleventh Annual Survey showed 426 store closings.
1982 Twelfth Annual Survey showed 595 store closings.
1983 Thirteenth Annual Survey shows 463 store closings.

In total, the survey has recorded 4,622 store closings in the past ten years.

NEW STORES PLANNED

Dollars Per Day Profit Ranking	Company	Stores Planned As Stated in Last Year's Annual Report	Actual Net New Stores Opened or Acquired	Stores Planned This Year as Stated in this Year's Annual Report
1	Shop & Go	15 to 20 stores	+10	15-20 stores
2	National Convenience	75 new stores 8 of them superstores	+90	85 new stores—8–10 of them superstores
3	Southland	Doesn't State	+163	Doesn't State
4	Circle K	25 Stores	+10	30
5	Lil' Champ	Caution & Quality	+8	Greater Progress
6	Mini Mart	Doesn't State	−4	Proceeding with purchases of new locations
7	Little General	25 for Florida and Louisiana	−29	Firm commitments to open 20 new stores in 1983
8	Casey's General Stores	N/A	+38	53 planned
9	Sunshine Jr.	20 new stores	+4	Doesn't state
10	Munford	Doesn't State	−28	Managing for profit
11	Dairy Mart	N/A	+3	Continued expansions
12	Conna	More stores planned - seeking acquisitions	+1	Development not expected to exceed 1983 levels
Totals		+183–193	+266	203+

STORES OWNED VERSUS LEASED
As Noted in the Annual Reports and 10K's

Dollars Per Day Profit Ranking	Company	Stores in Operation	Stores With Real Estate Owned	Increase or Decrease From Last Year In Stores Owned	Stores Leased
1	Shop & Go	415	196	5	219
2	National Convenience	1,012	154	49	858
3	Southland	7,165	1,617	32	5,548*
4	Circle K	1,221	221	10	1,000
5	Lil' Champ	170	78	NONE	92
6	Mini Mart	110	13	4	97
7	Little General	431			
8	Casey's General Stores	377	91	N/A	286
9	Sunshine Jr.	358	47	10	311
10	Munford	959	30	2	929
11	Dairy Mart	143	22	N/A	121
12	Conna	435	0	NONE	435
	TOTAL	12,796			

*Southland leases 1,269 stores from the Southland Employee Trust.

STOCK VALUATION SCHEDULE

Dollars Per Day Profit Ranking	Company	Book Value End of Year Covered in Report	Stock Outstanding As of Record Date	Where Listed	Stock Price Close 10-28-83	Market Value Of Stock 10-28-83	Times Earnings
1	Shop & Go	$32,257,515	6,731,593	OTC	10-3/4	72,364,625	11
2	National Convenience	74,291,000	10,164,824	NY	19	193,131,656	19
3	Southland	703,348,000	37,107,828	NY	43-1/4	1,604,913,561	15
4	Circle K	68,474,000	11,117,502	AMEX	24-1/2	272,372,674	16
5	Lil' Champ	11,303,000	1,163,471	OTC	37	43,048,427	24
6	Mini Mart	5,703,503	2,824,494	Not Listed	1-1/2*	4,236,741	4
7	Little General	134,503,000	10,327,934	NY	18-7/8	194,939,754	17
8	Casey's General Stores	4,891,419	2,846,000	OTC	13-1/2	38,421,000	10
9	Sunshine Jr.	16,887,585	1,701,650	AMEX	12-3/8	38,421,000	17
10	Munford	42,899,000	Common	NY	Common	Common	
			2,502,481		21-1/2	53,803,342	13
			Preferred		Preferred	Preferred	
			414,391		10	4,143,910	
11	Dairy Mart	2,500,007	1,030,275	OTC	12-3/4	13,136,006	98
12	Conna	12,457,000	1,186,383	OTC	13-1/2	16,016,171	169
Totals		$1,109,515,019				2,531,585,786	

*Not quoted-last quote shown by company.

COMMON STOCK PRICE RANGE AS SHOWN IN ANNUAL REPORT

Dollars Per Day Profit Ranking	Company	High	Low	Closing Stock Price 10/28/83
1	Shop & Go	10	7	10-3/4
2	National Convenience	30-3/4	13-1/5	19
3	Southland	31-1/2	17	34-3/4
4	Circle K	20	9-3/4	24-1/8
5	Lil' Champ	23-1/2	12-1/2	37
6	Mini Mart	1-3/4	1-1/4	1-1/2*
7	Little General	15-5/8	7-5/8	18-7/8
8	Casey's General Stores	N/A	N/A	13-1/2
9	Sunshine Jr.	9-3/4	6-1/2	12-3/8
10	Munford	17-3/8	8-5/8	21-1/2
11	Dairy Mart	N/A	N/A	12-3/4
12	Conna	18-1/2	8-5/8	13-1/2

*Not quoted—last quote shown by company.

RETURN ON AVERAGE SHAREHOLDER'S EQUITY

Dollars Per Day Profit Ranking	Company	Return on Shareholder's Equity
1	Shop & Go	21.6%
2	National Convenience	21.2
3	Southland	16.4
4	Circle K	23.3
5	Lil' Champ	16.8
6	Mini Mart	13.6
7	Little General	9.1
8	Casey's General Stores	43.9
9	Sunshine Jr.	9.2
10	Munford	17.4
11	Dairy Mart	19.3
12	Conna	.7

EARNINGS AND CASH DIVIDENDS PAID PER SHARE DURING YEAR

Dollars Per Day Profit Ranking	Company	Dividends Paid Common Stock	Earnings	Dividends to Earnings Ratio
1	Shop & Go	$.20	$.95	21%
2	National Convenience	.54	1.40	39%
3	Southland	.77	3.02	25%
4	Circle K	.74	1.37	54%
5	Lil'Champ	.26	1.53	17%
6	Mini Mart	.06	.40	15%
7	Little General	.40	1.12	35%
8	Casey's General Stores	None	.80	0
9	Sunshine Jr.	.48	1.05	46%
10	Munford	1.475	2.61	56%

INVENTORY ACCOUNTING METHOD USED

Dollars Per Day Profit Ranking	Company	LIFO	FIFO
1	Shop & Go*	X	
2	National Convenience		X
3	Southland	X	
4	Circle K	X	
5	Lil' Champ*	X	
6	Mini Mart	X	
7	Little General		X
8	Casey's General Stores	X	
9	Sunshine Jr.	X	
10	Munford		X
11	Dairy Mart	X	
12	Conna		X

*Lil' Champ and Shop & Go used FIFO for gasoline inventory.

SALARY SCHEDULE OF TWO HIGHEST PAID EXECUTIVES AND OF THE BOARD OF DIRECTORS

Dollars Per Day Profit Ranking	Company	Highest Paid Executive	$DPD Cost Per Store	Second Highest Paid Executive	$DPD Cost Per Store	Officers & Directors as a Group	$DPD Cost Per Store	Number Included as Officers & Directors
1	Shop & Go	$152,652	$1.02	107,410	$.72	$518,537	$3.47	8
2	National Convenience	436,395	1.24	205,247	.58	1,706,425	4.87	16
3	Southland	540,960	.21	520,960	.20	5,202,074	2.01	38
4	Circle K	170,000	.38	133,400	.30	739,378	1.67	21
5	Lil' Champ	85,000	1.41	65,083	1.08	341,645	5.65	13
6	Mini Mart	211,926	5.28	69,133	1.72	284,059	7.07	5
7	Little General	385,569	2.46	197,596	1.26	1,472,850	9.38	16
8	Casey's General Stores	301,131	2.30	301,131	2.30	900,057	6.88	3
9	Sunshine Jr.	125,254	.97	66,412	.51	422,104	3.25	11
10	Munford	360,565	.71	231,727	.65	975,319	2.75	13
11	Dairy Mart	149,000	2.88	66,745	1.29	371,095	7.19	8
12	Conna	112,526	.71	103,606	.66	686,084	4.34	13
Totals		$3,030,978		$2,068,450		$13,619,627		165
Average This Year		$252,581	$.66	$172,370	$.45	$1,134,968	$2.95	
Average Last Year		$233,297	$.57	$171,018	$.38	$1,268,905	$3.40	
Average Increase Over Last Year		$+19,284	$.09	$+1,352	$+.07	$-133,937	$-.15	

INDUSTRY LEADERS IN TWELVE PUBLICLY OWNED COMPANIES
Based on Information from Proxy Statements
Qualification as an Industry Leader Based on Position, Salary, or Stock Ownership

Dollars Per Day Profit Ranking	Company	Name	Age
1	Shop & Go	Robert Jaeb	72
2	National Convenience	V. H. Van Horn	63
3	Southland	John P. Thompson	57
		Jere W. Thompson	51
4	Circle K	Fred Hervey	74
		Karl Eller	55
5	Lil' Champ	Julian Jackson	69
6	Mini Mart	Jack Fineberg	66
7	Little General	Haris J. Ashton	50
8	Casey's General Stores	Donald F. Lamberti	45
9	Sunshine Jr.	Leona J. Lewis	74
10	Munford	Dillard Munford	64
11	Dairy Mart	Charles Nirenberg	59
12	Conna	Joe Peden	53

Average Age:

11th Survey 57.31 years

12th Survey 59.93 years

13th Survey 59.80 years

Position	Salary	Difference From Last Year	Percent of Ownership	Cash Dividends On Stock Ownership
Chairman & CEO	$152,652	$+4,842	28%	379,292
Executive VP, Treasurer	107,410	+3,302	27	356,901
President & CEO	436,395	+44,022	1	80,330
Chairman & CEO	540,960	+67,641	14	3,879,768
President	520,960	+52,641	9	2,605,526
Vice President	170,000	+9,134	25	2,187,084
Chairman & CEO	N/A	-	-	740
Chairman & CEO	85,000	+13,000	31	93,281
President	211,926	+16,849	47	51,238
Chairman & CEO	385,569	−14,986	4	159,800
President	301,131	-	35	None
Chairman	-	-	54	444,296
Chairman & CEO	360,565	+178,681	7	262,836
Chairman	149,000	-	61	None
Chairman	112,526	+3,214	12	65,772

ANALYSIS OF STOCK HOLDINGS BY STOCKHOLDERS AND DIRECTORS
as Stated in the Company's Proxy Statement

Dollars Per Day Profit Ranking	Company	Approximate Number of Shareholders	Stock Outstanding Record Date	Number of Shares Held by Largest Stockholder In Proxy
1	Shop & Go	1,126	6,731,593	1,896,463
2	National Convenience	1,496	16,164,824	538,400
3	Southland	7,852	37,107,828	5,038,660
4	Circle K	3,500	11,117,252	2,840,372
5	Lil' Champ	450	1,163,471	407,679
6	Mini Mart	500	2,824,494	853,970
7	Little General	4,700	10,327,934	903,375
8	Casey's General Stores	N/A	2,846,000	986,000
9	Sunshine Jr.	699	1,701,650	926,931
10	Munford	3,781*	2,502,481	178,784
		1,289**	414,391	600
11	Dairy Mart	N/A	1,030,275	314,750
12	Conna	1,200	1,186,383	137,027

*Common Shares

**Preferred Shares

Percent of Ownership	Number of Shares Held by Second Largest Stockholder In Proxy	Percentage of Ownership	Number of Shares Held by Directors As a Group	Percent of Ownership By Officers & Directors As a Group
28%	1,784,508	27%	3,716,286	55%
5	520,758	5	1,052,429	10
14	3,459,100	9	6,853,598	18
24	1,612,288	14	2,906,486	26
35	358,774	31	461,473	40
47	250,032	14	918,510	50
9	707,000	7	940,325	9
35	739,500	26	2,146,000	75
54	142,225	8	959,585	56
7	156,800	6	209,886	8
-	100	-	700	-
31	314,750	31	659,775	64
12	66,999	6	392,679	33

SOUTHLAND COMPARED WITH OTHER PUBLICLY-OWNED COMPANIES IN THE SURVEY

On a Dollars of Profit per Share per Day Basis

	First Survey	Second Survey	Third Survey	Fourth Survey	Fifth Survey	Sixth Survey
Other Companies						
Without Southland	$11.44	$15.96	$17.10	$19.08	$17.28	$ 18.39
Southland	17.15	19.35	20.38	20.64	25.45	30.04
Southland's Performance Above the Average	$+5.71	$+3.39	$+3.28	$+1.56	$+8.17	$+11.65
$DPD Survey						
Average--All Companies	$14.45	$17.73	$18.78	$19.84	$21.16	$23.94
Southland	17.15	19.35	20.38	20.64	25.45	30.04
Southland's Performance Above the Average	$ 2.70	$ 1.62	$ 1.60	$ .80	$ 4.29	$ 6.10

Seventh Survey	Eighth Survey	Ninth Survey	Tenth Survey	Eleventh Survey	Twelfth Survey	Thirteenth Survey
$18.37	$19.13	$24.83	$38.10	$32.44	$40.15	$38.63
32.19	35.71	40.79	38.42	46.44	60.67	59.34
$+13.82	$+16.58	$+15.96	$+.32	$+14.00	$+20.52	$+20.71
$25.19	$27.47	$33.02	38.18	$40.24	$51.70	$50.24
32.19	35.71	40.79	38.42	46.44	60.67	59.34
$+7.00	$+8.24	$+7.77	$+.24	$+6.20	$+8.97	$+9.10

THE EFFECT OF SOUTHLAND ON THE SURVEY

Southland operates 56% of the stores included in the survey. Since their results heavily affect the total results for the survey, this chart shows the totals as they would appear if Southland were excluded.

PROFIT COMPARISON: SOUTHLAND VERSUS THE ELEVEN OTHER COMPANIES IN THE SURVEY

	Stores	Store Days	Small Store Sales	Average Sales Per Store Per Day	Sales Growth Per Store Per Day	Pretax Profit	After Tax Profit	After Tax Profit as a Percent of Sales	Pretax Profit Profit Per Store Per Day
Eleven Companies									
Without Southland	5,631	2,027,654	$1,984,042,832	-$1,016	$ 16	$78,340,504	$45,815,565	2.31%	3.95%
Southland	7,165	2,585,396	3,960,000,000	1,532	138	153,431,400	87,825,945	2.22	3.87
Twelve Companies									
Including Southland	12,796	4,613,050	$5,944,042,832	$1,310		$231,771,904	$133,641,510	2.25%	3.90%

RECAP OF SOUTHLAND MARGINS PER DAY
At Varying Store Margins

Store Sales as Reported in The Survey	$1.532	$1.532	$1.532
Percent Margin	27%	30%	33%
Store Margin	$414	$460	$506
Gas Gallons Sold Per Day	1.185	1.185	1.185
Gas Margin at 4 cents a gallon (4 x 1,185)	47	47	47
Total Margin Per Day	$461	$507	$553
Gas Margin as a Percent of Total Margin	10.1%	9.3%	8.5%
Gas Margin at 6 cents a gallon (6 x 1,185)	$71	$71	$71
Total Margin Per Day	$485	$531	$577
Gas Margin as a Percent of Total Margin	14.6%	13.4%	12.3%
Gas Margn at 8 cents a gallon (8 x 1,185)	$95	$95	$95
Total Margin Per Day	$509	$555	$601
Gas Margin as a Percent of Total Margin	18.7%	17.1%	15.8%
Margin Per Hour	$21.20	$23.13	$25.08

The 10K states that "the vast majority" of Seven-Eleven stores are open 24 hours a day.

ELECTRIC UTILITY COSTS

Utilities are a fixed cost for a given installation and do not vary with sales. Utility costs are very important to the profit and loss structure of small food stores. This year we've included some information about electricty costs in various part of the country.

Since 1973, electric costs have risen faster than the rate of inflation. Utility costs are the third greatest operating expense in these stores, outranked only by salary and occupancy costs. Utility costs are much more volatile than the other two, because rates are set by public utility commissions and rate-setting is complex. There appears to be almost nothing the store operator can do to control price escalations in this area.

To begin a study of utility costs, we wrote the power company in the headquarters city of the twelve chains in the survey. We gave each of them the same specifications and asked that they compute the costs of an average kilowatt. The specifications were:

15,000 KWH (30 days & 500 KWH usage per day)
50 KW billing demand

It's important to remember that each company and even each store within a company used a different number of KWH per day. The type of building, age, maintenance, cleanliness of equipment, climatic differences, hours of operation, and discipline of personnel all make a difference in actual daily electric usage. Utility company costs vary because of the price and source of power, approach and expenditure on nuclear development, utilization rate, capital expenditure rate and expectation of future demand, management and personnel efficiency, and amount of influence over the state public utility commissioners.

Electic utility rates are a complex issue. They should be studied closely by the companies in this industry because the costs of electricity can spell the difference between profit and loss for a particular store, concept, or company. It should be obvious from looking at the schedule of percentage cost of sales for electric power that significant power savings (as a percentage of sales) results from higher average daily sales.

In the past year, utility rates for eight of the headquarter cities have increased. Two have remained the same. None had decreased. The cost of KWH increased in Louisville, Kentucky by 1.6 cent. While this may seem harmless on the surface, it is a 31% increase. It would increase the operating cost of a 100 unit chain operating in the city by $285,795.

ELECTRIC UTILITY COSTS AS A PERCENT OF SALES COST
Assuming 500 KWH per Day at Varying Sales and KWH Costs

KWH Used per Day	Cost per KW	Total Daily Electric Cost	$600	$700	$800	$900	$1,000	$1,100	$1,200	$1,500
500	$.12	$60	10.0%	8.6%	7.5%	6.7%	6.0%	5.5%	5.0%	4.0%
500	.11	55	9.1	7.9	6.9	6.1	5.5	4.2	4.6	3.7
500	.10	50	8.3	7.1	6.3	5.6	5.0	4.6	4.2	3.3
500	.09	45	7.5	6.4	5.6	5.0	4.5	4.1	3.8	3.0
500	.08	40	6.6	5.7	5.0	4.4	4.0	3.6	3.3	2.7
500	.07	35	5.8	5.0	4.4	3.9	3.5	3.2	2.9	2.3
500	.06	30	5.0	4.3	3.8	3.3	3.0	2.7	2.5	2.0
500	.05	25	4.2	3.6	3.1	2.8	2.5	2.3	2.1	1.7
500	.04	20	3.3	2.9	2.5	2.2	2.0	1.8	1.7	1.3

Kilowatt hour costs as a percent of sales are only 40% at $1,500 average sales of what they are at $600 in daily sales.

In June, 1983, the highest cost per kilowatt hour in the United States was 15.04 cents in New York City. The lowest cost was 1.41 cent in Seattle, Washington, (commercial rate, assuming 10,000 KWH, 40 KW demand). Source: *Electric Power Monthly*, U. S. Department of Energy, June, 1982. Assuming these rates and 500 KWH of daily usage, the average electric bill for a small food store would be $2,256 monthly in New York City and $211 in Seattle, Washington. At $600 a day in sales and $75 a day electric cost, electricity would be 12½% of sales in New York City.

ELECTRIC COST SCHEDULE FOR HEADQUARTER CITIES
Assuming 500 KWH per Day of Consumption and 50 KWH of Demand

City		Power Company	Companies Headquartered	1982 KWH Cost	1983 KWH Cost
1	Jacksonville, Florida	Jacksonville Electric Authority	Lil' Champ	7.9	7.9
2	Atlanta, Georgia	Georgia Power Authority	Munford	7.3	7.5
3	Tampa, Florida	Tampa Electric Company	Shop & Go	7.2	7.3
4	Tampa, Florida	Tampa Electric Company	Little General	7.2	7.3
5	Miami, Florida	Florida Power & Light	Mini Mart	6.7	7.2
6	Dallas, Texas	Dallas Power & Light	Seven Eleven	6.4	6.4
7	Houston, Texas	Houston Lighting & Power	National Convenience	5.9	6.8
8	Panama City, Florida	Gulf Power Company	Sunshine Jr.	5.8	6.9
9	Phoenix, Arizona	Salt River Project	Circle K	5.8	7.4
10	Louisville, Kentucky	Louisville Gas & Electric	Conna	5.2	6.8
11	Des Moines, Iowa	Iowa Power	Casey's General Stores	n/a	7.2
12	Enfield, Connecticut	Northeast Utilities	Dairy Mart	n/a	9.1
	Averages			6.54	7.31

Percentage increase in the cost of electricity for the chains in the Survey plast year was 8.5%.

Each increase of 1 cent per KWH increases the dollars per day of the cost of store operations by $5.00. Unless sales are increased, it would thus reduce profits by $5.00 a day or $1,825 a year. If a chain paid 9.1 cents for all its electricity, its costs of operation over a chain paying 6.4 cents for all its kilowatts would be $13.50 a day higher. It would have a $4,928 higher yearly operating cost.

Increased Cost Per KWH	1982 Average Monthly Electric Bill	1983 Average Monthly Electric Bill	1982 $DPD Cost of Electricity	1983 $DPD Cost of Electricity	$DPD of Electricity Increase 1983 over 1982
None	$1,185	$1,185	$39.50	$39.50	None
.2	1,095	1,127	36.50	37.56	$ 1.06
.1	1,080	1,098	36.00	36.60	.60
.1	1,080	1,098	36.00	36.60	.60
.5	1,080	1,085	33.50	33.50	None
None	960	965	32.00	32.16	.16
.9	885	1,016	29.50	33.87	4.37
1.1	870	1,035	29.00	34.50	5.50
1.6	870	1,105	29.00	36.83	7.83
1.6	780	1,013	26.00	33.77	7.77
n/a	n/a	1,081	n/a	36.03	n/a
n/a	n/a	1,360	n/a	45.33	n/a
.61	981		$32.70	$36.57	$ 2.79

DOLLARS PER DAY SURVEY - FIRST ANNUAL REPORT 1972
Convenience Store Industry Ranked By Profit Per Day

Company	Year Ended	Stores	Store Days	Convenience Store Sales	Avg Sales Per Day Per Store	Pretax Profit	After Tax Profit	After Tax Profit as % of Sales	Profit Per Day Pretax	Profit Per Store After Tax
Circle K	4/30/71	536	175,074	$ 93,607,624	$535	$ 5,846,536	$ 2,895,815	3.09%	$33.39	$16.54
Sunshine Jr.	12/31/70	98	31,766	11,753,761	370	614,711	321,494	2.73	19.35	10.12
Southland	12/31/70	3,734	1,327,056	748,949,792	564	22,757,874	11,283,353	1.50	17.15	8.50
UtoteM	2/28/71	496	167,936	65,579,870	391	2,636,864	1,276,689	1.95	15.70	7.60
Dillon	7/ 3/71	98	30,856	17,140,222	555	244,336	122,168	.71	7.27	3.95
Natl. Con.	6/30/71	487	172,113	72,000,000	418	1,220,101	760,101	1.05	7.09	4.41
Li'l General	12/26/70	497	181,405	61,721,000	340	1,152,370	576,185	.93	6.35	3.18
Jackson-Atl	1/ 2/71	928	338,720	103,900,023	307	1,985,471	981,148	.94	5.86	2.90
Con. Ind.	5/31/71	160	50,005	51,220,004	877	33,300	24,600	.05	2.04	1.02
Stop-N-Go	7/1/71	140	48,188	23,757,906	493	(45,058)	(23,058)	(.97)	(.94)	(.48)
Totals		7,151	2,523,119	$1,249,660,202	$495	$36,446,505	$18,218,495	1.45%	$14.45	$ 7.22

DOLLARS PER DAY SURVEY - SECOND ANNUAL REPORT – 1973
Convenience Store Industry Ranked By Profit Per Day

Company	Year Ended	Stores	Store Days	Convenience Store Sales	Avg Sales Per Day Per Store	Pretax Profit	After Tax Profit	After Tax Profit as % of Sales	Profit Per Day Pretax	Profit Per Store After Tax
Circle K	4/30/72	678	221,626	$ 128,984,052	$582	$ 7,334,224	$ 3,928,226	3.04%	$33.09	$17.72
Sunshine Jr.	12/31/71	115	38,881	15,167,194	390	795,807	429,735	2.83	20.46	11.05
UtoteM	2/29/72	602	200,934	82,415,786	410	4,049,286	2,227,107	2.70	20.15	11.08
Southland	12/31/71	4,114	1,432,450	856,169,721	598	27,720,217	14,275,361	1.67	19.35	9.97
Natl. Con.	6/30/72	529	185,441	90,140,000	486	2,529,000	1,390,950	1.54	13.63	7.50
Dillon	7/ 1/72	123	40,222	25,803,447	642	572,596	285,798	1.10	13.05	7.11
Con. Ind.	5/31/72	141	50,874	49,931,737	847	528,000	290,400	.58	12.67	6.33
Li'l General	12/25/71	510	183,784	63,251,000	344	1,848,470	924,235	1.46	10.06	5.03
Munford	1/ 1/72	959	344,393	115,465,188	335	3,057,421	1,656,213	1.43	8.88	4.80
Stop-N-Go	6/29/72	123	45,018	27,449,898	610	214,933	114,933	.42	4.77	2.55
Totals		7,894	2,743,623	$1,454,778,023	$530	$48,648,954	$25,522,958	1.75%	$17.73	$ 9.30

DOLLARS PER DAY SURVEY - THIRD ANNUAL REPORT 1974
Convenience Store Industry Ranked By Profit Per Day

Company	Year Ended	Stores	Store Days	Convenience Store Sales	Avg. Sales Per Day Per Store	Pretax Profit	After Tax Profit	After Tax Profit as % of Sales	Profit Per Day Pretax	Profit Per Store After Tax
Circle K	4/30/73	826	274,554	$ 161,407,689	$588	$ 8,605,929	$ 4,507,929	2.79%	$31.35	$16.41
Dillon	6/30/73	160	51,666	34,255,130	663	1,257,714	628,857	1.83	24.35	12.17
UtoteM	2/28/73	703	238,213	100,000,144	420	5,083,610	2,694,313	2.69	21.34	11.31
Southland	12/31/72	4,455	1,564,013	1,049,101,871	671	31,866,950	16,495,838	1.57	20.38	11.09
Sunshine Jr.	12/31/72	144	47,397	19,551,693	413	962,162	509,945	2.60	20.30	10.75
Con. Ind.	5/27/73	163	56,223	52,864,738	940	596,000	327,800		14.62	7.31
Natl. Con.	6/30/73	646	214,496	113,205,563	528	2,864,171	1,764,171	1.55	13.35	8.22
Stop-N-Go	6/28/73	125	45,261	31,548,858	697	550,338	283,338	.89	12.16	6.26
Lil General	12/30/72	507	188,604	72,891,000	386	2,135,270	1,067,635	1.46	11.32	5.66
Munford	12/28/72	1,057	364,896	130,384,354	357	3,278,780	1,877,481	1.43	8.98	5.14
		8,790	3,045,323	$1,765,211,423	$579	$57,200,924	$30,157,307	1.75%	$18.78	$ 9.90

DOLLARS PER DAY SURVEY - FOURTH ANNUAL REPORT 1975
Convenience Store Industry Ranked By Profit Per Day

Company	Year Ended	Stores	Store Days	Convenience Store Sales	Avg. Sales Per Day Per Store	Pretax Profit	After Tax Profit	After Tax Profit as % of Sales	Profit Per Day Pertax	Profit Per Store After Tax
Shop & Go	3/31/74	170	55,498	$ 35,922,723	$647	$ 2,789,108	$ 1,420,125	3.95%	$50.26	$25.59
Lil Champ	4/27/74	80	25,378	12,822,449	505	1,043,315	541,950	4.23	41.11	21.36
Circle K	4/30/74	947	323,633	191,639,986	592	8,931,084	4,751,084	2.48	27.59	14.68
UtoteM	2/28/74	762	267,392	12,892,732	452	6,306,140	3,405,316	2.82	23.58	12.73
Hop-In	6/30/74	27	8,945	6,775,670	757	187,659	119,534	1.76	20.97	13.36
Southland	12/31/73	4,801	1,689,393	1,103,227,100	653	34,875,261	17,695,921	1.27	20.64	10.47
Sunshine, Jr.	12/31/73	179	58,965	25,783,848	437	1,210,073	641,339	2.49	20.52	10.88
Stop-N-Go	6/27/74	144	49,102	38,914,172	793	997,859	504,859	1.30	20.32	10.28
Con. Ind.	5/26/74	174	62,236			1,158,000	636,900		18.60	10.23
Dillon	6/29/74	182	62,244	42,570,972	684	991,309	539,768	1.27	15.92	8.67
Natl. Con.	6/30/74	808	265,436	146,029,000	550	3,795,000	2,236,000	1.53	14.30	8.42
Lil General	12/29/73	527	188,715	82,366,000	436	2,555,300	1,277,650	1.55	13.54	6.77
Munford	1/ 3/74	1,246	427,301	198,523,846	404	4,289,435	2,430,042	1.22	10.04	5.69
Totals		10,047	3,484,238	$2,005,468,498	$586	$69,129,543	$36,200,488	1.77%	$19.84	$10.38

DOLLARS PER DAY SURVEY - FIFTH ANNUAL REPORT 1976
Convenience Store Industry Ranked By Profit Per Day

Company	Year Ended	Stores	Store Days	Convenience Store Sales	Avg. Sales Per Day Per Store	Pretax Profit	After Tax Profit	After Tax Profit as % of Sales	Profit Per Day Pretax	Profit Per Store After Tax
Li'l Champ	5/ 3/75	94	32,270	$ 17,447,409	$541	$ 1,178,177	$ 621,543	3.56%	$36.50	$19.26
Shop & Go	3/31/75	240	74,860	49,967,000	667	2,718,806	1,437,009	2.88	36.31	19.19
Sunshine Jr.	12/31/74	215	71,923	36,485,504	507	2,214,055	1,173,446	3.21	30.78	16.31
Hop In	6/30/75	36	11,502	8,778,135	763	347,617	206,726	2.36	30.22	17.97
UtoteM	2/28/75	922	307,410	153,883,813	501	7,865,006	4,247,100	2.75	25.58	13.82
Southland	12/31/74	5,171	1,820,075	1,289,000,000	708	46,326,044	23,000,246	1.78	25.45	12.64
Circle K	4/30/75	1,024	359,746	228,325,795	634	9,051,035	4,718,035	2.06	25.15	13.11
Con. Ind.	5/25/75	218	71,344	68,276,208	957	1,353,000	677,853	.99	18.96	9.50
Li'l General	12/28/74	550	196,014	93,073,758	474	2,921,742	1,460,871	1.57	14.90	7.45
Munford	1/ 2/75	1,348	472,108	199,984,440	423	5,671,129	3,151,633	1.58	12.01	6.68
Stop-N-Go	6/26/75	168	56,784	49,612,731	874	486,174	244,174	.49	8.56	4.30
Natl. Con.	7/30/75	801	292,365	196,226,000	671	1,717,000	1,259,000	.64	5.87	4.30
Dillon	6/28/75	188	67,340	50,557,217	751	(724,916)	(395,659)		(10.76)	(5.87)
Totals		10,975	3,833,741	$2,441,618,010	$636	$81,124,869	$41,801,977	1.71%	$21.16	$10.90

SIXTH ANNUAL REPORT DOLLARS PER DAY SURVEY 1977
The Small Store Industry Ranked By Profit Per Day

Company	Year Ended	Stores	Store Days	Convenience Store Sales	Avg Sales Per Day Per Store	Pretax Profit	After Tax Profit	After Tax Profit as % of Sales	Profit Per Day Pretax	Profit Per Store After Tax
Shop-N-Go	3/31/76	285	95,160	60,780,000	$639	$ 3,135,236	$ 1,649,832	2.71%	$32.94	$17.34
Lil' Champ	5/31/75	100	35,308	18,807,395	532	1,136,851	592,056	3.15	32.19	16.76
Southland	12/31/75	5,579	1,962,079	1,434,000,000	731	58,956,501	29,418,246	2.05	30.04	14.99
Hop In	6/30/76	76	17,538	11,466,085	653	453,562	280,562	2.44	25.86	15.99
Sunshine Jr.	12/31/75	236	82,318	43,056,065	523	2,072,296	1,089,820	2.53	25.17	13.23
Circle K	4/30/76	1,049	379,359	262,362,278	691	9,482,317	5,122,317	1.95	24.99	13.50
UtoteM	12/29/76	998	351,360	192,499,000	548	7,576,483	4,128,425	2.14	21.56	11.75
Natl. Con	6/30/76	743	271,938	212,606,000	782	4,922,000	2,652,000	1.25	18.09	9.75
Dillon	7/ 3/76	186	69,006	57,810,661	838	1,115,002	630,311	1.09	16.15	9.13
Con. Ind.	5/30/76	252	87,202			1,376,000	745,654		15.77	8.55
Li'l General	12/27/75	561	202,202	97,092,000	480	2,720,033	1,360,016	1.40	13.45	6.72
Munford	1/ 1/76	1,408	501,592	207,602,360	414	5,575,010	3,129,510	1.51	11.11	6.23
Stop-N-Go	5/31/76	169	57,290	52,133,092	910	(31,213)	68,787		(.54)	1.20
Totals		11,642	4,112,352	$2,650,214,936	$658	$98,490,078	$50,867,536	1.92%	$23.94	$12.36

SEVENTH ANNUAL DOLLARS PER DAY SURVEY 1978
The Small Store Industry Ranked by Profit Per Day Per Store

	Company	Year Ended	# of Stores	Store Days	Convenience Store Sales	Average Sales Per Store Per Day	Pre Tax Profit	After Tax Profit	After Tax Profit As % of Sales	Profit Per Day Per Store Pre Tax	Profit Per Day Per Store After Tax
1.	Circle K	4/30/77	1,070	386,728	$302,602,439	$782	$12,911,749	$6,911,741	2.28%	$33.39	$17.87
2.	Lil' Champ	4/30/77	108	37,964	21,006,000	553	1,228,696	647,256	3.08	32.36	17.04
3.	Southland	12/31/76	5953	2,110,356	1,715,000,000	813	67,931,941	33,952,383	1.98	32.19	16.09
4.	Shop & Go	3/31/77	342	114,456	70,136,000	613	3,095,910	1,655,171	2.36	27.04	14.46
5.	Dillon	7/2/77	185	67,340	63,364,880	941	1,796,186	1,000,476	1.58	26.67	14.85
6.	National Convenience	6/30/77	722	263,530	233,208,000	885	6,742,000	3,536,000	1.52	25.58	13.41
7.	Sunshine Jr.	12/31/76	261	90,715	53,470,953	589	2,209,054	1,175,850	2.20	24.35	12.96
8.	Hop-In	6/30/77	92	30,668	19,165,006	625	650,177	394,177	2.06	21.20	12.85
9.	UtoteM	2/28/77	965	352,225	206,041,000	585	5,220,922	2,819,296	1.37	14.82	8.00
10.	Convenient Industries	5/29/77	269	98,432			1,436,000	783,912		14.59	7.96
11.	Mini Mart	8/31/76	122	44,286	21,286,797	480	396,051	241,069	1.13	8.94	5.44
12.	Li'l General	12/25/76	554	201,656	103,241,000	512	1,637,912	818,956	.79	8.12	4.06
13.	Munford	12/30/76	1310	476,840	210,905,100	442	2,449,020	1,747,770	.83	5.14	3.67
Totals			11,953	4,275,196	$3,019,427,175	$723	$107,705,618	$55,684,057	1.84%	$25.19	$13.02

EIGHTH ANNUAL DOLLARS PER DAY SURVEY 1979
The Small Store Industry Ranked by Profit Per Store Per Day

$DPD Ranking	Company	Year Ended	# of Stores	Store Days	Convenience Store Sales	Average Sales Per Store Per Day	Pre Tax Profit	After Tax Profit	After Tax Profit As % of Sales	Profit Per Store Per Day Pre Tax	Profit Per Store Per Day After Tax
1.	Dillon	7/1/78	284	82,754	$ 93,843,079*	$1,134	$ 3,438,839	$ 1,902,366	2.02%	$41.55	$22.99
2.	Circle K	4/30/78	1,105	396,920	283,683,000	714	15,409,000	8,189,000	2.88	38.82	20.63
3.	Southland	12/31/77	6,357	2,246,373	1,890,000,000	841	80,233,200	40,456,600	2.14	35.71	18.00
4.	Li'l Champ	4/28/78	122	41,860	23,006,369	550	1,399,931	777,519	3.38	33.44	18.57
5.	National Convenience	6/30/78	725	264,076	214,704,000	813	8,545,000	5,011,000	2.33	32.35	18.98
6.	Shop & Go	3/30/78	371	129,766	82,729,120	637	4,183,767	2,271,269	2.74	32.24	17.50
7.	Hop-In	6/30/78	112	37,220	24,640,507	662	1,043,174	658,474	2.67	28.02	17.69
8.	Sunshine Jr.	12/31/77	288	100,179	46,815,473	467	2,431,808	1,356,944	2.90	24.27	13.54
9.	Convenient Industries	5/28/78	285	100,828	129,600,000	1,200	2,013,395	1,147,545	.89	19.96	11.38
10.	UtoteM	2/28/78	928	338,720	221,423,000	654	6,029,594	3,432,681	1.55	17.80	10.13
11.	Li'l General	12/31/77	541	200,711	116,582,000	581	2,350,109	1,175,055	1.00	11.70	5.85
12.	Mini Mart	8/31/77	128	45,622	21,956,283	481	234,071	142,071	.65	5.13	3.11
13.	Munford	12/29/77	128	45,622	21,956,283	481	234,071	142,071		(9.42)	
Totals			12,597	4,469,331	$3,360,383,831	$ 751	$122,750,228	$66,520,524	1.98%	$27.47	$14.88

*Gasoline included in these sales

NINTH ANNUAL DOLLARS PER DAY SURVEY 1980
The Small Store Industry Ranked by Profit Per Store Per Day

$DPD Ranking	Company	Year Ended	# of Stores	Store Days	Convenience Store Sales*	Average Sales Per Store Per Day	Pre Tax Profit	After Tax Profit	After Tax Profit as a % of Sales	Profit Per Store Per Day Pre Tax	Profit Per Store Per Day After Tax
1	Circle K	4/30/79	1,158	412,971	$ 330,159,000	$ 799	$19,628,000	$10,678,000	3.23%	$47.53	$25.85
2	Shop & Go	3/29/79	379	136,500	93,715,984	687	5,965,639	3,087,285	3.29	43.70	22.62
3	Dillon	6/30/79	305	107,198	143,298,176*	1,337*	4,484,469	2,575,879	1.80*	41.83	23.85
4	Southland	12/31/78	6,599	2,364,349	2,247,270,000	950	96,433,057	48,852,986	2.17	40.79	20.66
5	Lil' Champ	4/28/79	130	45,864	24,955,896	544	1,707,439	945,170	3.79	37.23	20.61
6	National Convenience	6/30/79	806	268,350	246,679,510	919	9,779,000	6,005,000	2.47	36.52	22.37
7	Convenient Industries	5/27/79	316	109,382	156,529,000	1,431	2,796,597	1,523,097	.97	25.56	13.92
8	Hop In	6/30/79	132	44,520	31,781,685	714	1,126,400	716,500	2.25	25.30	16.09
9	Sunshine Jr	12/31/78	316	110,216	51,795,784	470	2,483,717	1,373,992	2.65	22.53	12.47
10	Li'l General	12/30/78	515	187,460	127,966,000	683	2,946,850	1,473,425	1.15	15.72	7.86
11	UtoteM	2/28/79	934	339,812	247,825,000	729	5,117,448	3,479,492	1.40	15.06	10.24
12	Mini Mart	8/31/78	119	43,435	24,530,000	565	109,346	72,896	.29	2.52	1.68
13	Munford	12/28/78	1,211	440,804	233,174,000	529	(344,000)			(.78)	
Totals			12,920	4,610,861	$3,959,680,035	$ 859	$152,233,962	$80,783,722	2.04%	$33.02	$17.52

*Gasoline included in Dillon sales

TENTH ANNUAL DOLLARS PER DAY SURVEY
The Small Food Store Business Ranked by Dollars of Profit Per Store Per Day

$DPD Ranking	Company	Year Ended	# of Stores	Store Days	Small Food Store Sales	Average Sales Per Store Per Day	Sales Increase Per Store Per Day	Pretax Profit	Inventory Valuation Method	After Tax Profit	After Tax Profit As A % Of Sales	Profit Per Store Per Day Pretax	Profit Per Store Per Day After Tax
1	Circle K	4/30/80	1,200	431,514	$ 381,203,000	$ 883	$+ 84	$ 31,703,000	FIFO	$ 16,948,000	4.45%	$73.47	$39.28
2	Shop & Go	4/03/80	381	140,609	108,651,170	771	+ 84	8,535,351	LIFO	4,476,110	4.12	60.70	31.83
3	National Convenience	6/30/80	817	296,192	306,929,000	1,036	+117	13,295,000	FIFO	8,050,000	2.62	44.88	27.18
4	Lil' Champ	5/03/80	138	49,710	30,446,909	612	+ 68	2,195,618	LIFO-Gas FIFO-Stores	1,172,958	3.85	44.17	23.60
5	Dillon	6/28/80	324	114,478	178,117,909	1,566*	+219	5,000,801	LIFO	3,133,502	1.76*	43.68	27.37
6	Conna	5/25/80	336	118,664	182,559,000	1,538	+107	4,751,246	FIFO	2,517,246	1.39	40.04	21.21
7	Southland	12/31/79	6,805	2,446,127	2,658,708,000	1,087	+137	93,991,938	LIFO	68,815,350	2.59	38.42	28.13
8	UtoteM	2/29/80	927	339,282	280,296,000	826	+ 97	11,099,332	FIFO	5,721,287	2.04	32.71	16.86
9	Sunshine Jr	12/31/79	336	118,980	59,729,229	502	+ 32	3,691,867	FIFO	2,006,898	1.96	31.03	16.86
10	Li'l General	12/29/79	464	168,896	141,467,000	838	+155	4,342,056	FIFO	2,171,028	1.54	25.71	12.85
11	Hop-In	6/30/80	140	49,776	37,260,652	749	+ 35	1,193,129	LIFO-Gas FIFO-Stores	728,129	1.95	23.97	14.63
12	Mini Mart	8/31/79	115	41,975	28,690,752	684	+119	787,684	FIFO	470,684	1.64	18.77	11.21
13	Munford	1/03/80	1,184	439,264	257,586,000	586	+ 57	977,000	FIFO	586,590	.23	2.22	1.34
			13,167	4,755,467	$4,651,654,621	$ 978	+119	$181,564,022		$116,797,782	2.51%	$38.18	$24.56

ELEVENTH ANNUAL DOLLARS PER DAY SURVEY
The Small Food Store Business Ranked by Dollars of Profit per Store per Day

$DPD Profit Ranking	Company	Year Ended	No. of Stores	Store Days	Small Food Store Sales	Average Sales Per Store Per Day	Sales Increase Per Store Per Day	% Sales Increase In $DPD Sales	Pretax Profit	Inventory Valuation Method	After Tax Profit	After Tax Profit As A % of Sales	Profit Per Store Per Day Pretax	Profit Per Store Per Day After Tax
1	Shop & Go	1/02/81	112	111,326	$122,420,402	$888	$+77	10%	$ 9,317,626	LIFO	$ 4,953,881	4.04%	$64.76	$34.31
2	Circle K	1/30/81	1,194	435,810	417,357,000	957	+71	8%	26,730,000	LIFO	14,363,000	3.44%	61.33	32.95
3	National Convenience	6/30/81	832	305,578	349,100,000	1,142	+106	10%	16,683,000	FIFO	10,180,000	2.91%	54.61*	33.31
4	Southland	12/31/80	6,895	2,507,100	3,057,100,000	1,219	+132	12%	116,454,600	LIFO	67,834,851	2.22%	46.44	27.05
5	Lil' Champ	5/02/81	118	52,052	35,496,000	682	+70	11%	2,311,000	LIFO[1]	1,279,000	3.60%	44.39	24.57
6	Dillon	6/27/81	138	120,384	124,317,000	1,032	+71	8%	4,301,900	LIFO	2,376,707	1.91%	35.70	19.72
7	Mini Mart	8/31/80	112	40,992	27,362,337	670	+103	18%	1,378,450	FIFO	791,109	2.88%	33.62*	19.29
8	Comma	5/31/81	116	139,456	221,550,000	1,589	+61	3%	3,233,554	FIFO	1,946,554	.88%	23.18*	13.96
9	Sunshine Jr.	12/31/80	353	126,087	65,771,680	522	+20	4%	2,233,356	LIFO	1,325,955	2.01%	17.71	10.51
10	Lil' General	12/27/80	474	170,716	156,300,000	916	+78	9%	2,272,000	FIFO	1,136,000	.72%	13.30*	6.65
11	Hop-In	6/30/81	152	53,284	42,271,861	793	+34	4%	172,882	FIFO	287,882	.07%	3.24*	5.40
12	Munford	1/01/81	1,119	407,316	272,517,000	669	+83	14%	(3,909,200)	FIFO	-	-	(9.59)*	-
	Totals		12,445	4,503,201	$1,891,695,280	$1,086	+112	11%	$181,213,368		$106,474,899	2.17%	$40.24	$23.64

Sales shown in this schedule are for food store sales only.
All gasoline sales have been excluded.

*Inventories valued at FIFO
1. Gas at FIFO - Store Inventory at LIFO
2. Gas at LIFO - Store Inventory at FIFO

THE TWELFTH ANNUAL DOLLARS PER DAY SURVEY
The Small Food Store Business Ranked by Dollars of Profit per Store per Day

Dollars per Day Profit Ranking	Company	Year Ended	Number of Stores	Store Days	Small Food Store Sales	Average Sales per Store per Day	Sales Increase per Store per Day	Percent of Sales Increase in SPD Sales	Pretax Profit	Inventory Valuation Method	After Tax Profit	After Tax Profit as a Percent of Sales	Profit per Store per Day Pretax	Profit per Store per Day After Tax
1	Shop & Go	4-01-82	305	147,120	$134,659,000	$913	$ +65	8%	$ 11,619,000	LIFO	$ 6,251,285	4.64%	$78.81	$42.40
2	Circle K	4-30-82	1,211	442,015	413,400,000	1,003	+46	5%	26,853,000	LIFO	14,769,150	3.33%	60.75	33.41
3	Southland	12-31-81	7,002	2,535,749	3,534,600,000	1,394	+175	14%	153,859,200	LIFO	86,649,960	2.45%	60.67	34.17
4	National Convenience	6-30-82	922	320,060	415,300,000	1,298	+156	14%	19,360,000	FIFO	12,185,000	2.93%	60.49	38.07
5	Lil' Champ	5-01-82	162	56,420	41,534,000	736	+56	8%	2,722,000	LIFO	1,550,000	3.73%	48.25	27.47
6	Dillon	7-03-82	349	127,433	141,373,213	1,109	+77	7%	5,271,000	LIFO	3,011,777	2.13%	41.36	23.63
7	7-11 General	12-26-81	360	167,440	171,200,000	1,022	+106	12%	4,257,000	FIFO	2,128,500	1.24%	25.42	12.71
8	Mini Mart	8-31-81	114	41,244	29,982,772	727	+57	9%	981,750	LIFO	543,272	1.81%	23.80	13.17
9	Sunshine Jr.	12-31-81	354	129,027	72,450,668	562	+40	8%	2,824,493	LIFO	1,595,842	2.20%	21.89	12.37
10	Gonna	5-30-82	434	154,700	237,466,000	1,535	−54	−3%	2,541,000	FIFO	1,632,000	68%	16.42	10.55
11	Munford	12-31-81	987	383,292	283,000,000	738	+88	13%	2,624,500	FIFO	1,810,035	.64%	6.85	4.72
TOTALS			12,400	4,504,800	$5,504,963,653	$1,222	$+136	+13%	$232,912,943		$132,126,821	2.40%	$51.70	$29.33

Sales shown on this schedule are for food stores only. All gasoline sales have been excluded.

Gasoline sales for the year were $2,603,083,648 as shown on page 37.

Total sales for both food and gasoline were $8,108,049,301.

GASOLINE OPERATIONS IN SMALL FOOD STORES*

The ten chains in the survey sold 2,328,127,593 gallons of gasoline in 1982. The total national market for highway gasoline was 98.5 billions gallons in 1982. These 10 chains sold 2.36% of the gasoline sold in the United States through their 6,029 outlets.

C-type stores (includes traditional convenience stores, plus other food and gasoline combinations) sold 12.09% of the gasoline sold in the United States in 1982. We estimate that there are in excess of 50,000 convenience-type stores in the United States, and that 59% of them sell gasoline. On the average, they sell 1,101 gallons of gasoline per day per store. The number of C-type stores and the average gallonage of these stores is increasing each year. We estimate that in excess of 20% of the total gasoline in the United States will be sold through this type of unit in 1985. In 1976, only 1% of the total gasoline sold in the United States was sold through convenience stores.

During 1982, the chains in the survey opened an additional 480 gasoline units, even though there was only a net increase in total stores operated of 225. Gasoline represents over 33% of their total dollar sales. Gasoline margin represents about 15% of the total margin dollars developed by the combined gas and store units when the company owns and controls the unit and the pricing. It represents a far lower percentage of total margin in units that are still jobber-run and operate on a commission basis.

*The gasoline information on Casey's General Stores and Dairy Mart was received after this section of the report was completed. If possible, we'll include their information in the Fourteenth Dollars per Day Survey.

BEST ESTIMATE OF THE PERCENTAGE OF TOTAL GASOLINE SOLD IN THE UNITED STATES BY C-TYPE STORES - 1982

Year	# of C-Stores	% of C-Stores With Gasoline	# of Gas Units	Gallons Pumped per Unit Daily	Gallons Pumped per Unit Yearly	Total Gallons Pumped	Amount of Highway Gas Consumed—Billions of Gallons	% of National Market Supplied by C-Stores
1982	50,000	59.28%	29,641	1101	401,865	11,909,352	98.5	12.09%

We have changed our method of computing the percentage of the national market supplied by convenience-type units this year. Southland's numbers heavily weight the *Dollars Per Day Survey*. Southland was a late entry into the gasoline business (they had only 75 units in 1970; just 2% of their stores had gasoline at that time), and today has a far lower percentage of gasoline units than the other chains in the survey. (39.5% of Southland's store units sold gasoline in 1982, versus 62.6% of the stores operated by the rest of the survey chains).

To compute a better estimate of the total percent of the national gasoline market supplied by C-type stores, we have adjusted the survey figures as follows:

Estimate of total of C-type stores	50,000
Less Southland's 14.3% of total C-type stores	− 7,165
C-type stores other than Southland's	42,835
Multiplied by the 62.6% having gas units	× .626
Gasoline units other than Southland's	26,814
Plus Southland's gasoline units (10.5% of industry total)	+ 2,827
Total C-type stores with gasoline units	29,641
Percentage of the total 50,000 C-type store units with gasoline	59.28%

Many of these units were developed from gasoline stations and by people with gasoline backgrounds. Units springing from these backgrounds typically develop higher gasoline gallonages per unit than those developed by the traditional convenience stores in the *Dollars Per Day Survey*. Our estimate of the percentage of the gasoline sold through C-type stores should be considered a base estimate. It is likely that the number of units, the amount of gasoline sold, and the percentage of the national market supplied by C-type stores is higher than the figures shown in this estimate.

In addition, while the number of traditional gasoline units declines each day, the number of C-type gasoline units increases each day. As traditional convenience store operators improve their daily gallonages to those of the gasoline background operators, there will be dramatic changes in the amount and percentage of the national market supplied by C-type gasoline units.

C-TYPE STORE GASOLINE SALES

Using the average of the ten chains in the *Dollars per Day Survey* as the base

Year	# of C-Stores	% of Stores With Gas Pumps	# of Gas Units	Gallons Pumped per Unit	Total Gallons Pumped	Amount of Highway Gas Consumed Billions of Gallons	Percent of Nat'l Market Supplied by C-Stores	Increase	Percent of Increase Over Previous Year
1980	39,000	44.45%	17,160	359,890	6,175,712,000	101.2	6.10%		
1981	39,000	46.76%	18,330	379,600	6,958,068,000	99.6	6.99%	+0.89%	14.2%
1982	50,000	49.11%	24,555	401,865	9,865,663,000	98.5	10.01%	+3.02%	43.2%

CONVENIENCE STORES WITH GASOLINE UNITS

$DPD Profit Ranking	Company	Number of Stores	Number of Gasoline Units	Percent of Stores With Gasoline	Gasoline Units Added During Year	Stores Added During Year
1	Shop & Go	415	286	69%	18	10
2	Circle K	1,221	798	65%	18	10
3	Southland	7,165	2,827	39%	310	163
4	National Convenience	1,012	695	69%	110	90
5	Lil' Champ	170	82	48%	16	8
6	Li'l General	431	208	48%	0	-29
7	Mini Mart	110	41	37%	3	-4
8	Sunshine Jr.	358	322	90%	15	4
9	Conna	435	289	66%	-20	1
10	Munford	959	481	50%	10	-28
	Totals	12,276	6,029	49.1%	480	225

*Dillon sold to Kroger during the year, and has been dropped from the Survey this year. Their 12/17/82 figures were:

	Dillon	352	250	71%	0	3

STORES WITH GASOLINE UNITS

Survey Year	Number Of Stores	Number of Stores with Gas Units	Gas Units Added During Year	Percent of Stores With Gas
1974-Fourth Survey	9,258	1,964		21.21
1975-Fifth Survey	10,143	2,147	194	21.16
1976-Sixth Survey	11,356	2,786	557	24.53
1977-Seventh Survey	11,953	3,792	959	31.72
1978-Eighth Survey	12,597	4,584	792	36.38
1979-Ninth Survey	12,920	5,153	569	39.88
1980-Tenth Survey	13,167	5,630	447	42.76
1981-Eleventh Survey	12,445	5,533	442	44.45
1982-Twelfth Survey	12,400	5,799	393	46.76
1983-Thirteenth Survey	12,276	6,029	480	49.11

SCHEDULE OF IMPORTANT GASOLINE INFORMATION

Company	# of Gas Units	Number of Gallons Sold This Year	Gas Operating Days	Avg. Gallons Sold per Day per Gas Unit	Gas Margin per Day per Gas Unit	Gas Margin per Gallon	% of Sales Contributed by Gasoline
Shop & Go	286	74,000,000	107,380	689	$26.48	3.8 cents	33.9%
Circle K	798	255,200,000	287,976	886	N/A	N/A	38.4%
Southland	2,827	1,156,000,000	975,125	1,185	N/A	N/A	25.3%
Nat'l Convenience	695	231,600,000	233,545	991	61.48	6.2 cents	42.7%
Lil' Champ	82	19,444,448	26,936	722	24.45	3.4 cents	31.0%
Li'l General	208	43,912,960	75,712	580	N/A	N/A	29.9%
Mini Mart	41	8,361,280	14,416	580	N/A	N/A	21.8%
Sunshine Jr.	322	66,608,905	114,785	580	N/A	N/A	51.1%
Conna	289	146,000,000	105,196	1,387	N/A	N/A	39.4%
Munford	481	327,000,000	173,264	1,887	N/A	N/A	56.3%
Totals	6,029	2,328,127,593	2,114,335	1,101			

1. We estimated that Li'l General's gallons sold per day per gas unit were the same as Sunshine Jr. stores.

2. We estimated that Mini Mart's gallons sold per day per gas unit were the same as Sunshine Jr. stores.

3. Gasoline gallons sold was determined by dividing dollars of gasoline sold as reported in the annual report by Southland's average retail price of gasoline sold of 116.0 cents.

TOTAL GASOLINE SALES

$DPD Profit Ranking		Dollar Sales
1	Shop & Go	$ 85,840,00
2	Circle K	287,300,000
3	Southland	1,341,500,000
4	National Convenience	255,088,000
5	Lil' Champ	22,555,504
6	Li'l General	50,937,920
7	Mini Mart	9,698,992
8	Sunshine Jr.	77,266,330
9	Conna	170,126,000
10	Munford	379,320,000
	Total Gasoline Sales	$2,679,632,746

Gasoline

Gasoline facilities continue to increase, both in number and as a percentage of store units in the survey. Here's a recap of their growth in the past ten years.

SHOP & GO GASOLINE

	Year Ended 04/02/81	Year Ended 04/01/82	Year Ended 03/31/83
Gross Margin From Gasoline Sales	$3,711,000	$3,643,000	$2,843,000
Number of Gasoline Units	265	268	286
Gasoline Operating Days	89,180	97,006	107,380
Gas Margin per Unit per Day	$41.61	$37.55	$26.48
Total Gallons Sold	42,000,000	49,000,000	74,000,000
Average Gallons Sold per Unit per Day	470	505	689
Average Gallons Sold per Unit per Month	14,100	15,150	20,670
Margin Received per Gallon Pumped	8.8 cents	7.4 cents	3.8 cents

NATIONAL CONVENIENCE STORES (NCS) GASOLINE

	Year Ended 06/30/79	Year Ended 06/30/80	Year Ended 06/30/81	Year Ended 06/30/82	Year Ended 06/30/83
Total Gasoline Sales	$72,600,000	$127,500,000	$178,300,000	$255,470,000	$255,088,000*
Total Gallons Sold	114,500,000	155,500,000	182,200,000	216,500,000	231,600,000
Number of Gas Units	418	446	478	585	695
Gas Operating Days	135,917	157,666	168,168	193,944	233,545
Average Gallons Sold per Unit per Day	842	986	1,083	1,116	991
Average Gallons Sold per Unit per Month	25,610	29,990	32,941	33,945	29,730
Margin per Gallon Sold	5.8 cents	8.7 cents	7.2 cents	7.3 cents	6.2 cents
Total Gas Margin	$8,244,000	$13,528,500	$13,118,400	$15,804,500	$14,359,200
Gas Margin per Unit per Day	$60.65	$85.80	$78.00	$81.47	$61.48

* 44,300,000 gallons of gasoline were sold on a commission-only basis. We have increased the NCS gasoline sales as shown in the report at the rate of 116.0 cents per gallon, or $51,388,000, to arrive at total gasoline dollar sales.

7-ELEVEN GASOLINE MARGIN

Assuming 1,156,000,000 gallons sold per year

Margin Per Gallon	Total Gas Margin	Margin per Unit per Day at 1,185 Gallons Sold
10 Cents	$115,600,000	$118.50
9	104,040,000	106.65
8	92,480,000	94.80
7	80,920,000	82.95
6	69,360,000	71.10
5	57,800,000	59.25
4	46,240,000	47.40
3	34,680,000	35.55
2	23,120,000	23.70
1	11,560,000	11.85

SOUTHLAND GASOLINE

	Year Ended 12/31/78	Year Ended 12/31/79	Year Ended 12/31/80	Year Ended 12/31/81	Year Ended 12/31/82
Total Gasoline Sales	$354,500,000	$569,300,000	$912,900,000	$1,195,400,000	$1,341,500,000
Total Gallons Sold	616,200,000	675,500,000	792,900,000	956,000,000	1,156,000,000
Number of Gas Units	1,857	2,107	2,246	2,517	2,827
Gas Operating Days	625,833	723,305	796,599	869,112	975,125
Average Price at Retail per Gallon Sold	57.5 cents	84.3 cents	115.1 cents	125.0 cents	116.0 cents
Average Gallons Sold per Unit per Day	984	933	995	1,100	1,185
Average Gallons Sold per Unit per Month	29,930	28,378	30,347	33,458	35,550

CIRCLE K GASOLINE

	Year Ended 04/30/79	Year Ended 04/30/80	Year Ended 04/30/81	Year Ended 04/30/82	Year Ended 04/30/83
Total Gasoline Sales	$108,400,000	$151,900,000	$227,100,000	$283,400,000	$287,300,000
Total Gallons Sold	155,900,000	154,200,000	192,500,000	230,700,000	255,200,000
Number of Gas Units	677	726	753	780	798
Gas Operating Days	240,700	256,749	269,904	279,759	287,976
Average Price at Retail per Gallon Sold	69.5 cents	98.5 cents	117.9 cents	122.8 cents	112.6 cents
Average Gallons Sold per Unit per Day	648	600	713	824	886
Average Gallons Sold per Unit per Month	19,710	18,300	21,687	25,063	26,580

CIRCLE K GASOLINE MARGIN

Assuming 255,200,000 gallons sold per year

Margin Per Gallon	Total Gas Margin	Margin per Unit per Day at 886 Gallons Sold
10 Cents	$25,520,000	$88.60
9	22,968,000	79.74
8	20,416,000	70.88
7	17,864,000	62.02
6	15,312,000	53.16
5	12,760,000	44.30
4	10,208,000	35.44
3	7,656,000	26.58
2	5,104,000	17.72
1	2,552,000	8.86

The Annual Report states:

> The 1980 gasoline margin per gallon ranged from a high of 14.2 cents to a low of 11.1 cents.
> The 1981 gasoline margin per gallon ranged from a high of 12.4 cents to a low of 6.5 cents.
> The 1982 gasoline margin per gallon ranged from a high of 8.9 cents to a low of 4.7 cents.

Net profits from gasoline were 24.4% of store pretax profits, or $4,997,852. This is 1.9 cents per gallon sold. It is $17.35 dollars per day for every gas operating day. It is $11.26 dollars per day for total store operating days.

LIL' CHAMP FOOD STORES GASOLINE

Commission Operated Units: 33 units—12,012 gasoline operating days.

The Annual Report states that gasoline commission is 14% of other income, or $155,820, for these 33 units.

If we assume that the gas commission is 2 cents per gallon sold, Lil' Champ pumped 7,791,000 from these units, or 649 gallons per gas operating day.

Total actual gasoline margin in commission operated gasoline units was $155,820, or $12.97 per gasoline operating day.

Company Owned Gasoline Units: 49 units—16 new units in the year—14,924 gasoline operating days.

The Annual Report states that gasoline sales were $13,518,000. If we assume the average selling price was $116.0 cents a gallon, Lil' Champ sold 11,653,448 gallons, or 781 gallons per gasoline operating day.

The Annual Report also states that the margin on gasoline sales was 3.72%. On the assumed retail average price of $116.0 cents, the average gross profit per gallon sold was 4.39 cents. Total actual gasoline margin dollars in company owned units was $502,869, or $33.69 per gasoline operating day.

Based on the above assumptions, Lil' Champ's total gasoline sales and margins are:

Total Gallons Sold	19,444,448
Average Gallons per Day	722
Average Margin Cents per Gallon Sold	3.38 cents
Total Gasoline Margin	$658,689
Average Gasoline Margin Per Gasoline Operating Day	$24.45

RECAP OF IMPORTANT GASOLINE STATISTICS FOR THE CHAINS IN THE SURVEY

	1980	1981	Increase	1982	Increase
Gasoline Units	5,406	5,799	+393	6,029	+480*
Gallons Sold	1,879,110,571	2,112,975,731	+233,865,160	2,328,127,593	+215,151,862
Percent of Total U.S. Highway Gallons Used	1.86%	2.12%	+.26%	2.36%	+.24%
Average Gallonage per Gas Unit per Day	986	1,040	+54	1,101	+61
Gasoline as a Percent of Total Sales	30.8%	32.10%	+1.3%		
Average Retail Price in Cents per Gallon	114.1	123.1	+9.0	115.0	− 8.1

* Note Dillon deletion.

SELF-SERVICE REMOTE DISPENSING FROM FOOD STORES
Where and How It Started

by John Roscoe

Self-service remote controlled dispensing of gasoline began at 4:00 P.M., June 10, 1964. The first gallon was sold to the operator of a motor scooter at the Big Top store at 7398 N. Federal Boulevard in Westminister, Colorado.

The concept and the gasoline console were developed by Herb Timms of Denver, Colorado, in collaboration with his father. I obtained the marketing rights for the Supertron System for Convenience Stores, and formed a company to market the system to chains throughout the country. In November, 1964, I gave a talk at the annual convention of the National Association of Convenience Stores in Disneyland on combining gasoline sales with convenience stores. I also had a hospitality room to demonstrate the gasoline console. There was almost no interest in selling gasoline through stores at that time.

The first unit east of the Mississippi was opened in September, 1964, in a store operated by Lil General in Pensacola, Florida. In 1965, we opened the first California unit at a Shortstop store in Clovis, California.

Over the next several years, other people developed competing consoles. Though individual units were almost always successful, operator acceptance was slow and the number of units grew slowly. In 1976, Dan Lundberg estimated that 1% of the gasoline sold in the United States was sold through remote dispensing in convenience store outlets.

1984 DOLLARS PER DAY EDITORIAL

I have a confession to make. I've been wrong, and all of those operators who said I didn't understand the convenience store business were right. I've committed the basic strategic business mistake. I didn't know what business I was in.

All the years I've been in business I've thought we were in the general retailing business. I thought I was a merchant, supplying a line or lines of products to a cross section of the consuming public. My basic premise has been that if I continued to improve the offer to the public, the public would be happier and we'd continue to do better. We tried to distinguish ourselves by having brighter, cleaner, prettier stores than the competition. We kept trying to develop new and better ways of doing things. I just knew that if we did these things we'd end up rich and famous.

I had this crazy idea that this was the way successful retailers operated. Early in life I'd read the J.C. Penney story and other books about the famous department store barons of the past century. Their premise was that they were the cultural and material goal setters in their communities. If they upgraded their operations, they upgraded the community, and they sold more goods. I believed in upscale marketing. I bought the idea that doing it better, was better.

My quest was not lonely. Most of the aspiring talents in the business said the same thing. "It can be done better, this is how we do it better, why are you so stupid that you are not doing it better?" Conventions used the Onward and Upward theme. The literature of the trade preached this gospel. Salesmen kept up the drum beat "Improve your offer and thou shalt be rewarded." I didn't need much persuasion. I was a true believer in the spend and improve cause.

There were signals I should have heeded, and words of advice I should have taken. I remember Leroy Melcher saying that he didn't want any store doing over $8,000 a month. "If you get one of those, someone will just build another store across the street from you." "I don't want any barn burners." And late many evenings, I'd listen to confused operators say, "I don't know how so and so (you insert the name) does it; they run crummy dirty stores; they mistreat their employees; they never change; why they haven't even done (you insert the item); they never do any business; why I'll bet they don't do (you insert the amount); how do they stay in business?" And who could forget L. D. Lewis's immortal words, "I get a 24 percent margin, and we split it three ways: 1/3, 1/3, and 1/3 (one third operating expense, one third employee cost, and one third profit). That's all there is to this business."

All of these folks were telling me things I should have heard, but I never listened. I knew they were wrong I just kept on making the same basic mistake, trying to do it better.

My mistakes and my misconceptions of the business have been very costly to me Change and improvement are costly commodities. I think we've tried more things than anyone in the business. I don't know of anything we haven't tried. I've chased every rainbow and looked into every dream. I've been certain that if we just looked long enough, hard enough, and far enough, we'd find the magic product, process, or concept that would take us to Beulah land.

I've bought every new piece of equipment offered. I've tried every new product and visited every new store and concept. I've attended seminars and conventions of every kind of retailer. We've continued to change our offer. We've added, subtracted, multiplied, and divided. We've had short gondolas, tall gondolas, narrow gondolas, wide gondolas, round spinning gondolas, square gondolas, straight

gondolas, and gondolas on the bias. I tried everything in gondolas except cheap wooden gondolas with fixed shelves because I knew they were wrong from the start. I remember a couple of years ago when Circle K had a weak moment and discovered adjustable shelving—they featured it in their annual report. We've had end checkstands, center checkstands, and checkstands with aisles. We have underground bunkers full of all the bright ideas in equipment. We keep one of each so we won't ever have to buy it again when the fever sets in. We've tried hand-dipped ice cream, soft ice cream, frozen yogurt, Italian ice and snow cones. We've made ice cream sandwiches and cotton candy. With popcorn, you name it, we've done it. We've made popcorn balls, tried it in huge bags, and small bags, sold it in paper bags, poly bags, boxes, and made it into bunny rabbits and smile faces. We've sold turtles, goldfish, salamanders, hamsters, chicks, bunnies, ducks, and parakeets. We've made donuts in the store, and in the commissary, we invented the big cookie (our baker had fat hands). We've had our houseware and garden center phases. We've sold bikes, trikes, wagons, sleds, toboggans, TV's, and floor scrubbers. When we couldn't sell them, we rented them. Fishing and hunting, we've been there. We've sold licenses, gear, guns, ammunition, fish worms, and salmon eggs. We've had big produce sections, small produce sections and no produce sections. We've sold Christmas trees and ornaments, rented Santa Claus suits, sold big pumpkins and halloween costumes, Easter lilies, made Easter baskets, chrysanthemums (I once sold 2,000 pots of them to 7-Eleven), sold Memorial Day wreaths, corsages, tulips, carnations and roses by the bunch, live shamrocks for St. Patty's day. We've had photo development in one day, one week, and where we've offered free film. We've sold fireworks, party decorations, birthday presents, hardware, and watches. We've had arcades, game rooms, pinball machines, coin operated copiers, laundries, rides, scales, gum machines, stamp machines, and fortune telling machines.

We were severely afflicted with the coin operated mania. It was intense and prolonged.

We were champion toy buyers. We sold winkies, hula hoops, plush animals, water wiggles, slinkeys, games, yo yo's, kites, water slides, and trolls. One year we cornered the market on Beany and Cecil, Odd Ogs, and King Zors. Barbie was a personal friend, and the Mattel salesman knew my first name. Did I tell you about our efforts to beautify the world through lawn and garden? We sold bedding plants, fertilizer (liquid and granule), garden tools, spreaders, trees, hoses, sprinklers, and lawnmowers (hand and gas operated.) In our racing phase, we were the place to buy dog and horse racing programs. In greeting cards we went the route: Christmas, get well, birthday, valentines, and Hanukkah cards. We've done about all you can do to chicken: Fried it in the store, broasted it, microwaved it, and barbecued the bird. Unlike the Colonel, we never could do it right. We've sold wood, fire logs, kindling, presto logs and fireplace grates. We've sold pizza by the wedge, sold uncooked pizzas, cooked it in big pizza ovens, round pizza ovens and tiny pizza ovens. We never could get a decent share of the pizza business. We've made caramel apples, pies, birthday cakes and fudge. If it could be tried, we tried it. If it had to be thought up to try it, we did that.

I've never denied myself any opportunity. I've tried to catch every brass ring that came by. The worst of my sins, is that I've lead others down some of these same paths to their detriment.

My problem is that I just didn't understand the business that I was in. Chance had cast a more-is-better person into a field where less-is-more profitable. I started with bad instincts and was captured by the hype of the trade.

Now, after all of these years and many failures, I've just figured out what business I've really been in all of these years. I've been in the blind newstand business.

The blind newstand business and the convenience store business have a lot in common. They are both simple businesses and do best when they are kept simple. They sell things to people who happen to be in a particular location and have an immediate and compelling need for a product at that specific moment. Both businesses need to be kept very basic. In the convenience store business, the most success has come to those who have done the least. There is an obvious success formula. It's the one that I've overlooked in all of these years of searching. Here it is: You get yourself a cheap building in the best location you can get; you put in some plain wood shelves that you or someone makes in your garage; you get some merchandise (preferably on guaranteed sale)—AND YOU WATCH YOUR COSTS. You don't sell much, but it doesn't cost you much not to sell much. You don't hire architects and designers—you listen to experts for laughs and because you were brought up to be polite, but you don't pay for or take any of their advice. It's kind of like running a blind newstand. You've got yourself a good location, you can't see that it's dirty and run down, and you get all of the business the location allows at costs that may give you a profit.

The people in the convenience store business that have done the best so far are the ones who have followed this formula. May of them have made a lot of money. Some of them have left the business rich. They understood the business they were in. I'm confessing that these operators either instinctively, or through better judgment understood and understand this business better than I. I'll also confess to believing and stating that their wisdom was not enlightenment, but ignorance. They knew they were operating blind newstands. They knew what they could and should do, and what they couldn't and shouldn't do. Blind newsdealers never overestimate the market. Convenience store merchandising, and selling principles do not correspond to the traditional retailing principles that are at work in most American retailing. There is a value barrier between convenience store retailing and other retailing. I don't know if it is possible to break this value barrier if you start with a convenience store type heritage. It may not be possible to go from the less for more image of the small store to a more for less image that other successful retailers have created. Will customers ever consider a store with a misspelled four letter name to be a legitimate place to buy goods for value? Can a small food store develop sufficient margin dollars to clean up its litter, repair holes in its parking lots, have street curbs, and repair or remove all of its broken or unused equipment? Can a small food store develop the supervisory environment necessary to motivate and keep a stable committed employee staff? The operators I know who are committed to upscale offers and programs are straining from their costs. As of this time, it still means more to the managements of those companies than it does to their customers or owners. As with most things, one's hopes are with virtue, but you should put your money with the sinners.

It appears that any change from the basic convenience store operating position of the last 30 years is dangerous and costly. It does appear that some operators share my misconception of the business they are in, and continue to try to shatter the value barrier. When you try to pierce this barrier, you start to spend money. You improve your physical facilities, you hire better people, you take better sites, and you put in new and fancy equipment. You try to catch every crazy idea and fad that comes along. You buy the machine it always takes to do the function. You forget that all tests work, and you roll out the program before the enthusiasm fades. You begin doing cute advertising because it's nice to be known in the community. You hire designers, architects and advisors. You send people on trips and to conventions to learn how to do things better. You forget the verities of the business. You increase your working hours because you have to run faster to stay even. You develop more margin dollars, but you have lots of new costs.

You start to get a lot smarter, but you've paid dearly for your education. You have a tiger by the tail and there is no place to let him go. You have to catch the next breeze to pay for the costs of your last attempt to get more than convenience sales. The path to failure, if you are in either the blind newstand business or the convenience store business, is to try to get more sales than your location allows.

Attempts to break the value barrier and to make the convenience store into a legitimate retailing enterprise are dangerous, costly, and many times disastrous. I know of no confirmed examples of people or companies who have made a successful transistion from convenience to value.

I'd like to believe that it's possible. National Convenience Store is making a try at it. I've recently been in two\Stop 'N' Go stores. The first one is a new super store in North Dallas. They must have spent a million dollars on the facility. It was featured in this year's annual report. The second store is just off Indian School Road in West Phoenix. It is an old run down unit that looks as if it were built in the 50's and not more than $50,000 has ever been spent for the combined costs of land, building, equipment, merchandise, and repair.

Unfortunately, both fill the same function. As far as meeting its market, the function is more cost effective in the West Phoenix unit than in the Dallas Dream Store. This blind newstand will do more for the NCS annual statement than all the fine photographs of the super store. I applaud Pete Van Horn for trying fancy units, but I don't believe he's come close yet to breaking the value barrier

I hope I'm around when someone does develop a small store concept that can break the value barrier in a repeatable way. I hope I'm patient enough to seek confirmation of their financial success before I start to copy them. Further, I hope that when I do I really understand the dynamics of their success and what business they are in so that I don't spend another 25 years chasing rainbows. I'd really like to go to parties and not have to pretend I'm not in the blind newstand business.

It's taken me years to finally understand what the great operators were saying about the convenience store business. I've invested lots of time, effort and money to find this one small kernel of truth about this business. I'm sharing it with you for just the price of this survey. Unfortunately, many of you won't believe me. You won't believe the business you are in. Some of you will continue to thrash around trying to use all of the gimmicks to improve the convenience store business. Others will continue to try to break the value barrier. All of you will be damned to years of twisting and turning, trying to come up with a magic solution to a basic retailing problem.

I'll tell you one more time. If you want to be a success in the convenience store business, keep it simple. Do it cheap. Don't worry about quality. It costs too much. Above all, hold down your costs. Be able to fill the convenience function cheaper than the other guy. It may someday be totally uneconomic to run the kind of units that have made money and still make money in this business, but it hasn't happened yet. There is still a place for the old low cost, down and dirty stores that have made men rich.

I'd like to write more, but a guy is here with a croissant cooker that may just get us through the next year.

1982 EDITORIAL COMMENTS*

Once again I've finished the computations and completed the schedules for the annual Dollars Per Day Survey of the small food store business. I've read the press releases, the trade press, the speeches before the security analysts, the quarterly reports, the proxies, the 10K's, and the annual reports. I've had dinner with industry leaders and listened to their opinions.Now it's time to write the year's editorial comments.

Each year I set aside the last week in October for this project. Marilyn and I go to Sun Valley, Idaho, to get away from interruptions and distractions. During this week, I concentrate on what the companies have to say about themselves in their annual reports. Taken individually, the annual reports are very impressive. Taken collectively in a big dose, patterns and perceptions coalesce and give meaning to the policies that are formulated in the real world of these corporations.

Most of the companies in this industry operate in the same business and geographic environments. The operating areas of many of the chains overlap each other. A few years ago, most of the companies used a cookie cutter approach and turned out stores without much concern for the requirements of the locale. Changes in economic conditions and consumer awareness of these changes have forced the companies to reevaluate their operating practices and expansion plans. The editorials of the past two years have analyzed and reported on the problems of the industry. Almost everyone now believes the operating environment has changed for the small food store business. Some operators accept the facts, but are unclear about the solution. Some believe their troubles are caused by general economic conditions and that things will improve once the good old days return. Personally, I think this approach is unjustified. Humpty Dumpty has fallen of the wall, and we'll never put Humpty Dumpty back together again.

What we must do is adapt to the change, or as Peter Drucker says, we must "shuck off the past." The good news this year is that some of the public companies have shucked off the past and made great strides in adjusting to the new operating environment. In doing the report this year, I was impressed by the sense of change, adaptation, and improvement in some of the chains. I feel very optimistic about the future of these companies. Their policies now indicate that they are aware of the problems and have taken steps to change and improve their operations. It looks to me as if our college alum of last year's report may have passed through the mid-life crisis and now have a new and optimistic perspective.

Here are the good signs I see in the industry this year:

CHANGE: The top chains in the survey have adapted their operating policies. A new sense of awareness and seriousness seems to have emerged.The chains know they can't afford to operate old, rundown, low-volume, unprofitable stores. Many of these stores have now been closed. This was very necessary. More importantly, the successful chains seems to be replacing these stores with new stores that are generating higher sales volumes than the old stores. For several years this was not the case. A lot of stores were closed and a lot of stores were opened, but there was not an improvement in average daily store sales. The sales and operating results of the new store population was not significantly improved. I'm pleased to see that this is changing. Southland, National Convenience, Munford, and Li'l General all made improvements in dollars per day sales.

*figures updated to 1983

SALES: In a year of 4% Consumer Price Index inflation, the chains in the survey increased their average daily sales by 7%. Six chains slipped against inflation. Southland's real sales growth of 7% affected the average. When computed in 1971 constant dollars, the sales versus inflation gain was 3% for this year's survey.

PHYSICAL PREMISES: The annual reports state there is new emphasis on remodeling and renovating older stores. That's a good sign. Premise remodeling creates sales growth. It's gratifying to see the process has been started.

LIFO: Another chain converted its inventory to LIFO this year. Only four more to go, and three of them had better operating results this year than last. The way they are moving, it won't be long before they do well enough to report their earnings on a realistic basis and won't have to continue to overpay taxes.

CONVENIENCE IS DEAD: It needed to be said. Small food stores can no longer pay their expenses from sales derived solely on the basis of location. Stores must look for sales beyond the category of "have to have it" purchases. It's difficult to operate a 24-hour-a-day store with the name 7-Eleven, and it's hard to generate discretionary purchases when you're tied into the convenience classification. Yet, no one should feel bad about giving up the convenience classification. After all, drive-ins and Bantam are gone. Times and conditions change, and convenience stores have to adapt in order to succeed.

GASOLINE: Some stores in the industry have sold gas for 19 years now. Generally, however, the industry has been slow to accept gas sales as part of the small food store business. Most of the companies now own their own gasoline units, and most of the companies are now buying their gasoline from the refiners. Average daily gallonage and average daily margins are increasing.

The amount of gasoline sold and the percentage of the national gasoline market held by small food stores continue to increase. While gasoline will not be a major part of the margin developed by these stores, it is an important adjunct to the overall operation.

The total national consumption of gasoline is declining, and gasoline retailing cannot exist as a stand-alone business. The chains in the survey now sell 2.36% of all the gasoline gallons sold nationally, and the small food industry sells about 12% of U.S. gasoline. Times have changed here as well. It won't take long for their percentages to double, since the number of their gasoline units and the average gallonage per unit is increasing. At the same time, the total national gasoline market is decreasing. Ask not for whom the bell tolls, the bell tolls for the 142,000 gasoline station operators who derive more than half their income from gasoline sales. Gasoline retailing may be a poor business, but if you are going to be in it, the only good approach is that followed by the stores in this survey.

UTILITY RATES: Increasing utility rates will close a lot of low-volume, outdated stores and that's going to be good. Utilities are a big expense item, and an increase here will doom some of those low rent, low cost, low volume stores that saturate some markets. At 10 cents a kilowatt, power cost in a $600 per day convenience store amounts to 8.3% of sales. That's about the same percentage of sales that a supermarket pays for labor. Closing the lower-volume stores will help the sales volume of newer, brighter, cleaner, better-located stores in the area. Hopefully, there will be less people selling convenience only.

NEW CONCEPTS: The old configuration wasn't working, and the chains have been searching for new approaches. The search goes on. Some of the new ideas mentioned this year are: National Convenience's Super Stores, the automatic teller machines in 50 Phoenix Circle K's, Li'l General's new store and graphic designs, and Conna's electronic debit card system.Hopefully, these concepts will continue to improve sales, margins, and profits.

THE FUTURE: The future looks much brighter for these stores. I've seen the future, and it's cash intensive, but even that's positive. One of the problems of the past has been the ease of entry into the business. That has changed. You can't start one store today for what you could start a hundred-store chain for a few years ago.It costs a lot of money to get into the business. This will make it better business for those who are willing and able to spend the money to respond to the new economic realities. Changed conditions are helping us shuck off the past. It's going to be a better business for those who change and remain in business. There will be fewer stores with bigger sales, higher profits, and lower returns on equity than in the leveraged past

John F. Roscoe
October, 1982

*with figures updated to 1983

1981 EDITORIAL COMMENTS*

I've just completed the schedules for the Eleventh Annual *Dollars per Day Survey of the Small Food Store Industry*. I go through this exercise each year to gain some perspective on the business in which I've been engaged for the past 25 years. It's helpful to sit down each year and take a critical look at the business and the philosophy on which it is built. It's a good time to review the concept and study how it is being applied by the larger companies in the industry. This year, I feel a bit like the college alum who was unsuccessful in life. He had become a derelict and happened to find himself back in his college town during the time when his class reunion was being held. As at most reunions, there was a large banner hung across the front of the student activities building. It proclaimed, "Welcome Back, Class of 1957." As our derelict approached the building, he noticed that the marble steps beneath the massive pillars were covered with bums, winos, and other outcasts. He recognized them as his former classmates. Our friend looked at his fellow alums and happily exclaimed, "I always thought it was me, why the whole damn class wasn't any good."

That's the way I feel about the convenience store concept today. Twenty-five years ago, the concept held great promise. It was expected to be an efficient and profitable replacement to the dying neighborhood grocery store. During the growth period of the 1960's, this field was full of operators who kept telling each other they had "great potential." Generally, the potential has not been achieved, and on the basis of my report this year, I have to say that I'm critical of the whole concept. Something is wrong. Everyone still talks bravely and proclaims great results, but the figuring behind the figures spells trouble. Maybe the whole concept needs to be rethought. Maybe "the whole damn concept isn't any good."

That's a pretty strong statement. After spending a week reading and analyzing the statements of the companies, my feelings and perceptions are probably stronger than those you will form by reading the portions I've excerpted for this report. What makes me ascribe to the statement, "Maybe the whole damn concept isn't any good"?

1. STORE GROWTH

The twelve chains in the survey had a net growth in store units operated of 2.1% over the number of stores operated at the beginning of their fiscal years. Half of that growth was by store acquisitions from other chains. The prices paid for the chains acquired do not seem to be the selling prices of going businesses, but are more commonly stores that are being liquidated. 7-Eleven had a net store growth of 2.3%, and they opened 434 stores to net 163 new units. 7-Eleven's actions impact heavily on the averages, and you need to look at the companies individually to see the trend.

2. STORE CLOSINGS

In January of 1975, the twelve chains operated 9,635 stores. In the seven years since then, the chains have opened 7,329 stores and closed 4,168 stores, for a net growth of 3,161 stores. You must remember that this is not an old industry. The stores that are being closed are typically less than 10 years old. They just weren't convenient enough to pay their cost of operation.

Since the beginning of 1975, 4,158 stores or 43% of them have been closed. Try to think back over the last ten years and remember how we've been regaled with the site selection expertise of these companies. We've been assured that the site selectors have developed various grid and computer systems to insure they select the most compatible sites. Were these companies, these people, and their site selection wrong? Or is it the concept? Can the industry continue to raise its costs of operations by moving stores to sites that, at the time of selection, appear to be the perfect "convenience location"?

*figures updated to 1983

3. EARNINGS

A noted financial analyst recently remarked, "Every well-managed, responsible company that cares about its stockholders has by now changed its inventory accounting method to LIFO." Not in this industry. Why are 33% of the chains in this survey still using FIFO? Are they deliberately trying to overpay taxes? I doubt it. If the four chains still using FIFO had converted to LIFO last year, it would have lowered their earnings. It would also have caused an average decrease in earnings for these companies. It would also have lowered some executive bonuses. It would have saved them several million dollars in tax payments. Apparently the concept cannot create sufficient earnings for the managements of these companies unless they deliberately overstate earnings.

4. ADVERTISING

The chains talk quite a bit this year about their new improved advertising budgets. It sounds like the fellow who opens a store and expects to do a lot of business. After about a week of poor sales, he decides it's because the public doesn't know he's open. He hurriedly scrawls out a big window sign using the merchants' universal distress signal: "OPEN."

These are convenience stores. The annual reports say so. The names say so. The public knows what they are. Surveys indicate the public has a perception of these stores, and it's pretty well fixed. They know what they stand for. Furthermore, these stores have plenty of customers. Circle K's 1981 report says that the average store serves 5,400 customers a week and that they spend an average of $2.29 each. Unfortunately, this figure includes gasoline sales. The problem is that the customers just don't buy very much when they are in the stores. They know better. The managements of these chains need to sell more merchandise to the customers that are already frequenting their stores.

Convenience is its own advertising. People go to convenience stores because they are near where they work or where they live. The smart, bright location selectors (remember that 43% closure rate since 1975) have wisely placed them on the going-home side of the street. So how come they need all this advertising? It appears that these stores need a new retail offer. Customers are pretty smart. They do what makes sense to them. It makes sense to buy from these stores when it is to their advantage. They know better than to buy very much, because they know they will pay less elsewhere.

Convenience store items are not perceived by customers as good buys. A wise advertising man once said, "If you don't have anything to offer or can't deliver what you have to offer, don't advertise. Try to hide it from the public as long as you can."

5. PUFFERY

They fooled me. I looked for a really big sales increase in 1981. I'd read the trade papers, the quarterly reports, and the press releases. "Sunshine Jr. increases sales by 27%." "Conna stated 'operating revenues were 68% greater.' " What a shock to compute actual dollars per day sales and discover the real situation. Sunshine Jr.'s store sales on a dollars per day basis were up only 4%. Conna's store sales were up just 3%. When these sales are adjusted for inflation, Sunshine Jr.'s store sales declined by 7% and Conna's by 8%.

How does this happen? Easy, they pretend the gasoline sales are real sales. Gasoline sales are not real sales. The retail price of gasoline has increased from 22.9 cents ten years ago to 122.8 cents today. The margin cents per gallon of gasoline has remained almost exactly the same. That's about 5 cents per gallon. These people know gasoline sales aren't real sales. In most of these companies, the principals still own a significant share of the company. Who are they trying to fool?

6. INCREASED EXPENSES

Can you build a store today using the present convenience store concept and do enough business to pay today's costs? The answer is that you probably can about 25% of the time. Every now and then, you find a great location without any competition and people just have to make their purchases from you.

It's generally luck, and it generally doesn't last long. It costs a lot of money to build and run a store today. You have to turn in some big margin dollar results to pay today's expenses. Some of the chains, particularly the Southern ones, appear to be surviving because they have large population growth and yesterday's occupancy and equipment costs. These advantages will only continue to erode. It would be interesting to see a profit and loss recap for stores with pre-1975 operating costs and those with current costs.

In the survey, I show the margin dollars for the average 7-Eleven store. The average 7-Eleven store develops about $21.00 in margin dollars per operating hour. That's just a little less than a journeyman carpenter makes per hour in California. (7-Eleven has more stores in California than in any other state: 1,085 or 15% of their total stores.)

Recently, I ran across a buy and lease offer for a 7-Eleven store. The annual rent was $29,700 net, with future escalations. That works out to $3.39 an hour on a 24-hour-a-day basis, just for rent. Occupancy costs in some cases have apparently reached the point where the landlord gets more per hour than the people who run the store.

7. MINIMUM WAGE

It's here to stay. Operators may as well accept that it's going to cost at least $3.35 an hour in labor to run a store. Several companies stated in their annual reports that minimum wage increases caused them major problems.

8. GAME MACHINES

I've been in the game machine business. I believe I started the movement in the industry. Game machines helped us through some difficult times. They gave us those extra margin dollars we needed that we couldn't seem to make by selling merchandise to our customers. I now doubt the wisdom of having games in the stores. Operators will never develop enough margin dollars from games to pay a large percent of their operating costs. Everything is a trade off. Games severely affect the perception customers have of your stores. Games may help bridge the gap until you decide what you really want to stand for. I doubt that you can build a merchandise-selling business with them in your stores. If you have to be in games, be wise enough to own the equipment. As with most things, owning is easier than operating. Personally, I think that if games are a necessary part of the concept, the concept is in trouble.

9. DECREASING PROFITS

Averages are deceiving. On the average, the chains made less dollars of profit per store per day this year than last. It wasn't much less, but it was less. There are some well-run companies that do a lot of clever things and continue to make money with a weak concept. These companies will no doubt continue to survive and prosper. Only five of the chains suffered profit decreases this year. Even without store growth, and with understated costs of goods sold, their profits decreased. It doesn't appear to be serious at this time, because their managements have some latitude in postponing costs and declaring earnings. Unless trends change, some of these companies will not continue to be in business.

10. GASOLINE

I've heard operators say, "Gasoline is going to save the business," or, "If only I had gasoline units in all of my stores, I'd be in good shape." I doubt it.

Gasoline is a little like game machines. Gasoline will produce some margin dollars, but not enough to pay a significant part of your expenses.

Let's look at some figures. Even though I believe it costs a lot more to operate a store than $15 an hour, let's take that as an example. If a store is open 16 hours a day, and it costs $15 an hour to operate, the total cost per day is $240. If the store is open 24 hours a day at $15 an hour, the total cost per day is $360.

Last year, the average gasoline unit in a convenience store pumped 1,101 gallons of gasoline per day. The average margin per gallon was about 5 cents. (You can insert your own figure, it isn't going to vary much or matter much if it does, there is a trade off with gallons.) At 1,101 gallons a day and 5 cents margin, you develop $55.05 per store per day in gas margin. If it costs $360 a day to operate, and $55 is developed from the gasoline margin, the gasoline margin is supplying just 16% of the total margin needed to break even.

Gasoline is a nice little extra. For most chains, the maximum percentage of gasoline magin compared to total margin will be less than 20%. Those of you who are planning your operations around gasoline should know this. Gasoline is a product you should probably sell. It undoubtedly increases store traffic. Unfortunately, convenience store operators don't seem to be able to capitalize on customer traffic. Unless the concept includes a way to sell customers more than convenience items, gasoline traffic will never be much of a bonanza to store sales. Gasoline customers typically buy gasoline from you because you have the best price. Price customers know better than to give the money back to you in the store.

The gasoline business has always been in turmoil. The margins developed today are probably normal margins. In recent years, we've been lucky enough to have a couple of good gas shortages when gasoline margins were good. I was surprised to read in some of the annual reports that the present situation is unusual. Low margins are typical in the gasoline business.

There are too many gasoline retailers in the business today. We will probably lose at least another 100,000 gasoline retailers in the next few years. Gas margins are likely to be even lower as this process accelerates.

Gasoline now represents a 33% of the total sales of the chains in the survey. If you eliminate 7-Eleven, the figure is closer to 40%. If you count only units that sell gasoline, it's more than 50% of the dollar sales. The rub is that it represents and will continue to represent about 16% of the total margin dollars for the typical store.

The total United States gasoline market last year was about 99 billion gallons. The twelve chains sold 2.3 billion gallons or about 2.36% of the national market. All convenience stores combined sold about 12% of the total national gasoline market. At 5 cents a gallon, they developed a $55 margin per day from gasoline. The service station operator can't run much of a business on $55 a day and neither can the convenience store operator. Convenience stores have figured out how to hold down the prices and help ruin the market for the traditional operator. They have not yet figured out how to merge food and gasoline to their advantage.

11. STORE CONDITIONS

A couple of years ago, I updated an old *Progressive Grocer* editorial called, "The Blighted Area of Food Retailing." The original editorial was a challenge to the class of 1957 to go out into the world and do something about the poor conditions of the small neighborhood grocery store. They wanted convenience stores to update, improve, and modernize small stores so they'd be a source of pride to the industry. The thrust of my comments was that convenience stores had not performed well on that challenge and were, in effect, the new blighted area of food retailing.

As you might expect, my thoughts were not universally acclaimed. For the most part, I believe that the convenience store of today is still the blighted area of food retailing. Financially, they are very marginal retailing units. It takes margin to keep physical premises in good condition. Managerially, they are unstable; it takes margin to recruit, train, and keep personnel who realize the importance of store image to sales. Conceptually, it's hard for many consumers to think well of places whose predominate sales categories seem to be liquor, cigarettes, pornography, rolling papers, and game machines.

This is not something that can be glossed over. The mass market consumer cares a lot more about how the neighborhood store (that's less than five minutes away from the house) looks than they care about that chain's commitment to charity. They'd rather have you pick up the litter around your store, paint your building, and repair your parking lot than see your picture in the paper getting the compassionate man of the year award.

12. DECREASES IN SALES

If you are a retailer and don't have sales, you don't have much. You really are a derelict. All businesses have problems, and good sales volume can cure a lot of them. When you adjust the sales of the chains in this survey for inflation, only four of them have any real sales growth. As a group, their sales are up 3% against inflation. Some of them have serious problems.

You have to remember that the chains have tried to raise their average store sales by closing lower volume stores. They've increased occupancy costs by moving stores to more convenient corner locations. They built a bit better store for a lot more money.

It hasn't helped average sales in real dollars. It appears you cannot close stores fast enough to raise the sales average. Average daily sales have just not responded to these changes. Some have been fooled by inflation. Since their dollar sales have increased, they think they are doing a lot more business. Every retailer needs to take his 1983 sales and divide them by 245.9 to compute his constant dollar sales for the past year. A concept without sales growth is a concept without a future. Retailers who classify themselves as convenience store operators need to rethink their concept. It may be that they have a mind set that they may be unable to change without outside help and guidance. It is unlikely that they can change their concept by meeting with other operators who have the same retailing heritage and thus the same built-in predispositions. In science they say, "A new scientific truth does not triumph by convincing its opponents and making them see the light but rather because its opponents eventually die, and a new generation grows up that is familiar with it." The same can probably be said for retailing.

Maybe we should take a lesson from the Japanese. I hope you read the schedule showing the dollars per day results of the 7-Eleven Japan Company. They started in business in 1973. Today they have over 1,643 stores. Their average daily sales in U.S. dollars is $2,028 per store per day. They made $95.73 in pretax profit per store per day.

Why? Let me tell you why I think they are so successful. It's because the Japanese have never understood the United States concept of a convenience store. To the Japanese operator, it means doing things in an organized manner. It means copying Western ways of doing business. It means using modern business methods to improve business efficiency while maintaining value in the retail offer.

To the Japanese consumer, it means a good place to shop. Convenience stores in Japan are newer, brighter, and cleaner than competing stores. They mean more for less to the customer. They are well priced, better stocked, and better run than other food stores. It's an improved and superior way for the consumer to shop. There is no lack of food stores in Japan. In fact, there are over 800,000 food stores in operation. It's just that the customer perceives that the convenience store is a good place to buy things. Because of this, they do a lot more business and make a lot more money.

Maybe the whole damn concept isn't bad. Maybe we'll get another short-term bonanza that provide a bit of extra margin like the 24-hour store, FCB machines, gasoline, game machines, or fast food modules. But because of inflation and changing times, the size of the fix needed is becoming larger all the time.

John F. Roscoe
November, 1981

*with some updated figures from the 1983 report

PERTINENT EXCERPTS FROM EARLIER SURVEYS

The following items have appeared in the editorial section of previous surveys. Since I believe they still have merit, I have included them again this year. It's a lot easier than trying to make the same point each year. Some of the items seem to go unheeded, but in general the industry has moved in the direction of our comments.

Significant Events of the Last Ten Years From the 1980 Survey:*

In looking back over the last ten years, the following items appear to be the most significant:

1. *Inflation:* It takes 2.459 1983 dollars to produce one 1971 dollar.

2. *Gasoline:* A badly mismanaged margin dollar tool. On the basis of the results to date, the average food store operator would do better to increase store sales by $150 per store per day. A weak store program and a poor gasoline program don't combine to make a strong value statement to the consumer.

3. *Extended Hours:* Many companies now operate a majority of their stores on a 24-hour basis. These extended hours have added to average daily sales. Sales are better, but operating costs also increase when operating hours are extended. If the difference between 1971 and 1982 11 p.m. to 7 a.m. sales are eliminated from total sales, the average chain has probably suffered a sales decline of about 20% in terms of 1971 dollars.

4. *Entry of Oil Companies and Oil Jobbers into the C-Store Business:* Convenience sales go to the nearest outlet. When there are more outlets, the sales average of the outlets declines. Most of the units I've observed appear to be very marginal. Unless oil companies put their name and reputation behind each individual store, there probably won't be many survivors.

5. *Growth:* Note the balance between store openings and closings in this report. The rate of store growth has declined, and we will soon see a year when the chains in the survey close more stores than they open. The 10% to 15% growth rates of the early years of the survey have dropped to 1% this year. It's not saturation that is causing the decline; it's the weakness of the concept. Convenience shopping will not pay the costs of today or tomorrow.

6. *The Mood of the Consumer:* The retailing environment has changed. Less goods for more money is a debilitating retail philosophy in an environment that is concerned with a depreciating standard of living. Operators need to rethink their approach to the consumer.

How Do You Assess a Small Food Store Company? As Reported in the 1980 Survey

It's a tough exercise. Changing costs, perceptions, values, and conditions make it more difficult than ever to adequately assess the true status of these companies. In the long run the consumer is king and patronizes those stores that best fill his needs. Consumer actions are reflected in the figures that eventually appear in the annual reports.

*with figures updated to 1983

Because of acceleration of change, most annual statements do not reflect the true status of the companies. In a few companies, the underlying assets are of more value than the operating company. In most companies, a slick annual report masks some large, basic problems.

No company today can be analyzed without looking both at the annual statement and at the operations. I'd advise you to visit the store units and decide for yourself if their store operations make sense.

Things to Consider as Reported in the 1980 Survey:

1. *Store Evaluation:* As a customer, would you choose this unit over other buying alternatives in the market? What's the general appearance of the store? If you lived in this neighborhood, would you or your family spend $100 a month in this store? How does this store size up against the philosophy outlined in the annual report? Would you be proud to own this store?

2. *Inventory Quality:* How is the inventory valued? How many dollars of inventory can't be sold for over 3 months? How many dollars of inventory can't be sold at the price marked on the goods? How many dollars would this be if multiplied by every store in the company?

3. *Store Conditions:* What would it cost to repair eveything that is broken or damaged in this store? Is the equipment or the premises outdated? Does it appear that the policy of the chain is to repair and maintain the store and its equipment in first-class condition or are costs being deferred to the future?

4. *Real Estate Ownership:* Does the company own its real estate? Why not? What would be the effect on operating results if the company had to amortize its occupancy costs at today's replacement prices? How long will it be before it has to do this?

5. *Employee Motivation Package:* Are the employees being paid wages comparable with other legitimate retail operations in the area? Does the chain complain about the costs of minimum wage increases in its annual report? Does the company have a pension plan that allocates worthwhile amounts to pension costs? Is there an incentive package? If store operations become more complex, can these store people run the new merchandising offer? What do the employees think of the company?

6. *Gasoline Ownership:* Does the company own the gasoline dispensing units? Given the percentage of total margin developed by gasoline, should the company even be in the gasoline business? Does gasoline dilute their store effectiveness or their retail offer?

7. *Sales Level and Sales Growth:* Is the company producting sufficient sales? Are the sales keeping pace with inflation? Do they seem to have a strategy to increase sales? Do they know whether they have real sales increases or sales decreases?

8. *Productivity:* What does this store do better than another store down the street? What sets them apart from their competitors? Are they trying to be the efficient supplier of some type of goods or do they rely on the business that drops in? Are they trying to compete only at the store level, while their competitors are integrating for greater efficiency?

9. *Innovation:* Are there any signs of innovative behavior? If they copy others, do they copy well? Do they recognize that the marketplace is changing?

10. *Inflation:* Do they seem to understand inflation? Have they switched to LIFO for inventory valuation purposes? Why not? Have they or are they switching their goals and strategies because of or in anticipation of inflation?

11. *Store Identity:* Whose store is it? Do they stand for something? Are they putting their name, reputation, and chance for financial loss behind each individual location? When the unit fails, who suffers? Do they ensure that each unit is operated to be profitable and build sales in the other units of the chain?

Are they really in the business of satisfying customers or is this a cheap way to sell a few more units of merchandise?

Convertibility as Reported in the 1975 Survey

All standards of operation performance measured in dollars can be converted to dollars per store per day. For example:

1. *Return on Investment:* If $100,000 is invested in a store and the expected pre tax rate of return on this investment is 15%, an annual pretax profit of $15,000 is expected for the store. If this $15,000 is divided by 365 operating days, it produces an expected pretax profit of $41.00 per store per day.

2. *Percentage on Sales:* If sales are projected at $7,500 per week or at an annual rate of $390,000, and the projected profit is 4% of sales, an annual pretax profit of $15,600 is expected for the store. If $15,600 is divided by 365 operating days, it produces an expected pretax profit of $43.00 per store per day. When you convert your formula for measuring the success of a convenience store into dollars, it can be judged and ranked with other stores and chains on a dollars per day basis. Store operators are encouraged to keep score in dollars. Bankers, creditors, and stockholders all keep score in dollars. Percentages can be comforting sometimes, but percentages cannot be spent.

Subsidiary Activities as Reported in the 1975 Survey:

Though we do not have specific data to completely substantiate this statment, it is our feeling that subsidiary activities have almost no effect on dollars per day. We have analyzed chains with a great many 24-hour stores, chains that warehouse, chains that sell gasoline, chains that franchise, chains with many new stores, and chains where these conditions are of little or no importance. We can find little correlation between these activities and the final pretax profit per store per day. There appears to be no magic combination of activities that produces high profits except for management's profit goals and profit administration.

Philosophy of Profit as Reported in the 1975 Survey:

The need for a profit philosophy among convenience store retailers should be reiterated. It appears many operators either do not have a profit goal or the goal they have established is unrealistically low. Profit should be planned and steps should be taken to achieve the profit plan. When profits are "what's left over after expenses are paid," profits will consistently be just above the survival level.

Some operators have developed a profit philosophy and regularly achieve their goals. Profit levels are planned and remedial action is taken when profits fall below the goals of the plan. Other operators merely survive and continue to add units of a marginal nature.

There are few secrets in convenience store retailing. There is no secret of operation that separates one chain from another. The secret of profits and thus the difference between companies appears to be the profit philosophy of the controlling personalities within these chains. Just a few individuals can change and upgrade the success level of this industry.

How Should a Convenience Store Be Judged? As Reported in the 1975 Survey

How should the success of a convenience store chain be judged? What standards should be applied to a company to determine its level of performance? Is the most successful chain the one with the most stores? Is it the chain with the greatest sales or the highest average sales? Is it the one with the best-looking stores or the one with the happiest and best-paid employees? Or should chains be ranked according to return on invested capital or by dividends to owners? How about the best public relations or the cleverest advertising, the greatest total dollars of profit or the highest percentage of profit on sales?

All of these may be good indices of success in convenience store retailing. Some operators are partial to one measurement of success, some to another. Performance standards are important to an industry. Those engaged in an industry generally try to perform so that they achieve the standards that are recognized as important by others in the trade.

The Importance of a Dollar per Store per Day as Reported in the 1975 Survey*

Sometimes we overlook the importance of a dollar per store per day. When you have multiple units, a small decision that costs just a dollar a store a day can be a decision that will have a large impact on your profits.

1. If you operated ten stores, a dollar a store per day in increased expense or reduced margin costs you $3,650 a year.

2. A dollar per store per day of increased expense would have cost Southland $2,585,396 in pretax profit last year.

3. Either a dollar of increased margin or a dollar of decreased expense dollars per store per day would increase the profits of the stores in the survey by $4,613,050.

Seemingly small decisions have a big effect on pretax profits. The cost of these decisions should be weighed against your pretax dollars per store per day rather than against sales. All other things being equal, the industry on the average can make only 50 decisions that cost a dollar a day or all of the industry profits would be eliminated. Without corresponding margin increases, $50.24 per store per day in increased cost for the industry would eliminate all industry profits.

*with figures updated to 1983

The Chain Store Problem as Reported in the 1975 Survey

It is unusual to have any kind of chain where every unit is profitable. It has been said that the profit formula for most operators of 10 units is as follows:

3 great profitable units +
4 marginal break-even units —
3 low-volume money-losing units
Results = No Profit

Because location is of such vital importance to the successful convenience store, this profit formula is especially true. One of the skills necessary to produce high dollars per day is the ability to successfully manipulate the good store/bad store ratio. Good per store accounting is vital to obtaining this control.

Given the correct operating results by store, operators must have the courage to admit they have a losing situation and the willingness to do something about it. Some operators apparently hold on to losing stores too long and are unwilling to take losses when they occur. Because of the importance of identifying and closing unprofitable stores, we have included the number of store closings in our schedules when they are available. Closing an unprofitable store is commendable and shows a high degree of management maturity. The areas of single store profitability and when and what to do with the losing store are areas that deserve greater study than evidenced in the industry to date.

The time is past when a chain can be profitable managed by controlling expenses and taking just the convenience sales that locations provide. Sales and sales growth are the key words for the future. The chains that develop the sales capability to draw a customer past another store and shop at their unit will be the ones to survive.

Secret of Profitability as Reported in the 1978 Survey

The secret of profitable operations is not to operate any unprofitable stores. Tom Turner, president of Sigmor Oil, gave everyone the secret of chain retailing success during a talk in New Orleans in the summer of 1978. Tom said, "Run only profitable stores." It's so simple, we've never thought of it. Stockholders and analysts should ask management, "How many of our (your) 500 stores were unprofitable last year?" It's been said that the small food industry is the only business in which as many as one-third of the stores operate unprofitably.

Capacity as Reported in the 1978 Survey*

What is the sales capacity of a 2,400-square-foot store staffed by one person and stocked with a $30,000 inventory? The chains in the survey produce average daily sales from $570 to $1,534 from their typical stores. Sales per day vary widely between stores within the same chains. Thought should be given to the percentage of sales capacity at which stores are operating. Many stores have a sales capacity several times greater than that at which they are operating. They are like a half-full airplane or an empty theater.

*with figures updated to 1983

Is Convenience Dead? As Reported in the 1977 Survey

Obviously not, but will it produce enough sales to pay the expenses of tomorrow? Probably not. It appears that the small food store needs to fill a greater function than convenience. Convenience is a limited market. Stores should become the basic source of supply for some of the goods they offer to the public. This history of retailing success has been in giving the customers more for their money.

Gasoline as Reported in the 1977 Survey

Gasoline will not have a major impact on the long-term profitability of the small store. Gasoline margin can provide less than 20% of the margin necessary to pay the expenses of a store. It may provide a necessary bit of auxiliary revenue for the typical store, but it won't sustain profitability. The other person's business is always better until you get his expenses. Gasoline already affects the judgment of convenience store executives. It will soon begin to affect their expense levels.

Gasoline Ownership and Supply as Reported in the 1979 Survey

The figures this year make it very clear that small food store operators have missed the boat on gasoline marketing. Sure, they've added gasoline facilities to their stores over the years, but except for a few operators, it has had little impact on their financial results. Basically, they are doing the work and giving the returns to the smarter people. They've learned to handle the operational problems of the gasoline business for the fun of it.

Retailers have traditionally felt that suppliers should put free racks and equipment in their stores. Historically, most convenience store retailers have purchased their store products from middlemen. When these two philosophies were applied to the gasoline business, it cost the retailers dearly. Let's hope they learned there are no free lunches.

If small store operators believe there is a future in gasoline marketing for them, they had better begin today to take two painful and costly steps: 1) make the investment in their own equipment, and 2) try to begin to buy gasoline from a supplier who refines and sells gasoline in their marketing area. Neither step will be easy, but future gasoline rewards depend on it.

Ownership of Real Estate as Reported in the 1979 Survey

The philosophy of real estate ownership will be important to operators in the years ahead. Only a few chains presently own much of their real estate and thus completely control their destiny in their present locations. Many operators presently have long-term leases at very favorable prices, but soon tomorrow's costs and values will be imposed and operators must be ready.

Great investments need to be made to bring the stores of yesterday into line with the operating realities of today. This will continue to be true. Remodeling, refurbishing, and renovating are probably less painful to do when the company owns the property and plans to continue to operate a store on the premises. With today's inflation rates in real property and construction costs, it was a wise company that bought yesterday. There is probably no more significant management decision to be made today than that of whether to buy or lease. For my money, it's an easy decision.

What Are We Selling? As Reported in the 1979 Survey

I was intrigued and dismayed by the comments of E. W. Kelley, president of the UtoteM, who stated at the 1979 annual meeting that "the industry now must properly nuture that growth by recognizing it is 'convenience' we are selling, not merchandise." I couldn't disagree more. UtoteM and other low-volume convenience store chains need to decide they are in the business of selling merchandise, and they should do a better job of selling that merchandise. Except for extraordinary locations, the day is long past when you can pay your expenses with convenience. Customers understand value, and they take their business to stores where they perceive better value.

For the small food store business to be legitimate, operators must learn how to sell merchandise to customers. We need to employ such devices as quality products, exceptional service, product guarantees, friendliness, cleanliness, and the other techniques used by successful volume merchants.

Until individual chains operate stores so that customers will pass by other stores to come to them, they haven't much of a business. We need to be in the business of selling quality products from attractive stores staffed with happy, competent, well-paid employees. And we need to sell our products to satisfied customers who will continue to frequent our stores. Convenience is a temporary attraction, and it is no longer sufficient to sustain a business."

How to Double Convenience Store Profits*

If these twelve chains can produce sales growth of $179.45 per store per day at a margin of 28% without increasing expenses, they can double pretax profits.

Current pretax profit per store per day	$ 50.24
Sales growth per store per day of $179.45 times 28% increases margin per day by	$ 51.45
Increased expenses	0
Resulting pretax profit per store per day	$100.48

If increased sales can be made at higher margins, the amount of sales growth needed to double profit is considerably reduced.

Profits can also be doubled if existing expenses can be reduced by $50.24 per store per day. Present convenience store expenses appear to be around $346.75 per store per day, and have increased $212.60 per store per day since 1971.

It would seem easier to double the profits of a company by increasing the sales per store per day by $179.45 rather than reducing expenses by $50.24. Almost any combination of increasing sales or reducing expenses to double profits would be easier than the approach of doubling the number of stores operated by the chain.

*updated with 1983 figures.

Store Closings as Reported in the 1973 Survey

One of the greatest opportunities for improvement of profit per day will be the analysis of existing stores. If all of the convenience stores that are now losing money were identified and closed, the averages sales per store and thus the average margin and profit per store would be dramatically increased throughout the industry.

It appears that the cost of running a small retail outlet is increasing. As these costs rise, the chains will be forced to review, re-evaluate, and close lower-volume units. Stores that were profitable at yesterday's costs will not be profitable tomorrow.

1981 Comments

I didn't realize they'd have to close over one-third of the stores just to stay even. (See schedule of stores opened and closed.) Apparently I was wrong in 1973 when I decided salvation could be obtained by closing stores. Evidently you also have to do a better job in the ones you leave open.

CHANNELS OF TRADE

I've been in the retail business long enough to think that I know something about most of the important things about that business. I'm always amazed when I discover something important that is contrary to my understanding of how the business works.

On November 18, 1983, Mr. Grover G. Jackson, Director, Vice President and General Counsel of Coca Cola Bottling Enterprises, Inc.—the wholly owned company bottling operation of the Coca Cola Company of Atlanta, Georgia—enlightened me as to the "channels of trade." I thought the intent of the Coca Cola Company was to charge all of its customers in the take-home market the same price. Instead, the Coca Cola Company recognizes various classes of customers within the take-home market and has different prices for customers from different classes of trade. Customers are assigned to these classes or channels of trade on the basis of the Coca Cola Company's perception of the type of business they conduct. Prices charged by the Coca Cola Company for their soft drinks vary between customers, depending on the "channel" in which Coca Cola places them and whether they happen to demand or are offered special discount or rebates from the stated price for their "channel." I asked, but still haven't been told (12/12/83), the various categories or the requirements necessary to be perceived worthy of the most favored price category. Among the categories Mr. Jackson mentioned are membership club stores (The Price Company), supermarket chains (Safeway), and convenience stores. There are apparently other classes or channels of trade, and there are special deals within various channels.

In the San Francisco market, the Coca Cola bottler is a wholly-owned subsidary of the parent company. The listed wholesale price is $7.64 per case of 12 oz. cans. The Price Club (a membership-type mass retailer) apparently buys Coca Cola for $5.40 per case. Safeway purchases at $5.72, but that is before cash payments to Safeway of an unspecified amount. We've found that some of our competitors (Coca Cola does not perceive them to be competitors since they perceive them to be in other "channels of trade") have been offered prices and deals which have not been offered to us. (These include grand opening specials, remodeling specials, outside sales specials, anniversary specials, annual case rebates, and other specials.) You may want to write Mr. Grover Jackson, P.O. Drawer 1734, Atlanta, Georgia or call him at 404-898-3076 for an explanation of channels of trade.

Soft drinks are an important category for small food stores. In 1982 13.11% of 7-11's total in-store merchandise sales were soft drinks. They had $3.96 billion in merchandise sales, so they sold $519,400,000 in soft drinks. Total national soft drink sales are about a 20 billion dollar business, so 7-11 did about 2.6% of the national soft drink business.

If C-type stores are to break the value barrier, they must be able to purchase the products in their volume categories as cheaply as their competitors in other channels of trade. At the present time we cannot purchase Coca Cola as cheaply as our competitors can. We found this out by watching the soft drink ads.

We used to believe that our competitors (retailers who sell soda pop from stores) were selling soft drinks below cost. Now we know that they can sell cheaper than we can because they can buy soda pop cheaper than we can. Don't rely on anti-trust legislation to give you protection from price discrimination from the Coca Cola Company. Apparently the Soft Drink Territorial Exemption Bill of 1976 protected the soft drink companies against some federal price discrimination laws. If you have information on the Coca Cola Company's channels of trade policy, I'd appreciate receiving it.

IT AIN'T THE ECONOMY:

When I read the President's messages to the stockholders in this year's annual reports, I was reminded of an item from Bob Kahn's *Retailing Today* (available from Robert Kahn, P.O. Box 249, Lafayette, California 94549 for $30.00 per year.)

> There are very few retailers in the United States who have to worry about the impact of national economic conditions on their business; only those that do over $10 billion a year. For the balance of retailing, it is a matter of being smart enough to induce someone else's shopper to shop with you. In talking to a client recently, he worried about the increasing competition—new stores, new centers—in his county. I pointed out that his volume was much less than 2% of the total volume for apparel and department stores in his county. All he had to do was switch 2/10ths of 1% of the volume from the other stores and he would have a 12% increase!

Listed below are the quotes from some of the companies annual reports about the state of the economy and the weather and their effects on their operations. Managements are paid to anticipate and overcome adverse conditions. I like the annual reports that stick to what they did and what they didn't do—rather than blame their results on their environments. I don't ever remember seeing "We are doing really well and we should because this area is undergoing one of the greatest boomtimes ever known to man."

DPD Ranking

1 Shop & Go	"Results were good given the negative economic environment."
2 National Convenience	"A weak national economy, a depressed retail gasoline market, a major economic downturn in Houston, our largest market."
3 Southland	"They were achieved in an extremely adverse retailing environment." "Despite high unemployment levels and unseasonable cool and wet weather conditions nationwide."
4 Circle K	"Again points to the convenience store industry being somewhat immune to recession."
5 Lil' Champ	"A year of transition from recession to recovery."
6 Mini Mart	"In spite of a slow national economy."
7 General Host	"One of the most difficult economic environments since the depression."
9 Sunshine Jr.	"Despite the country's worst economic conditions since World War II."
10 Munford	"Achieved in 1982 despite the worst economic recession in half a century."
13 Conna	"Convenient Industries was hit by the dual blows of a lingering recession and weather that sharply curtailed the customer count in stores."

LOOSE CHANGE

Other items I can't help but include in this year's report.

First a couple of commercial messages:

Gas Marketing Survey

Convenience store operators need to order, buy, and read this year's *What Do the Top 25 Oil Companies Have to Say About Gasoline Marketing in 1983.* There are some things in my editorial you need to know about the future of the gasoline market in the United States. It's a declining market. Two hundred thousand gasoline stations will be trying to save their businesses by adding C-type stores. They generally have locations superior to those occupied by most traditional convenience stores. Find out what happened to 7-Eleven when the local gasoline stations put in C-type stores at most major stations in Montana. To order the gasoline report, just fill out the order blank at the end of this report. We'll rush you your copies.

How to Control Inventory Shortages

Gasoline operators need to order, buy, listen, and heed Chester Cadieux's ten-year-old tape on shortages. Most convenience store operators have heard this famous tape and still remember some of its advice. We still use it with our employees.

I was reminded that there was still a market for this tape when Chester told me he sat between two gasoline operators at a convenience store meeting. They had just found out about merchandise shortages and didn't know what to do about them. Little did they realize that one of the great shortage experts of our time was sitting between them. We all have lots to learn, and sometimes fail to ask the right quesions of the right people. The order blank is at the end of the survey.

Product Categories

Milk, bread, and cigarettes have historically been important product categories for C-type stores. Total national sales are declining in these categories. Here is some information on cigarettes:

	U.S. Cigarettes Manufactured	Tax Collected
1980	701,593,955,034	$2,402,857,000
1981	743,720,839,804	2,538,674,000
1982	711,492,678,246	2,499,046,000

Source: U.S. Dept. of Treasury. Based on tax collections

	U.S. Cigarette Sales—Movement Weighted from Bonded Warehouse	Weighted Average per Pack	Total Value
1981	730,100,000,000	67.7 cents	$25,443,985,000
1982	696,100,000,000	81.9 cents	28,505,295,000
1983*	337,500,000,000		

*6 months—represents a 5.9% decrease from 1st half of 1982. Source: Tobacco Merchants: 212-239-4435

Estimated 1983 cigarette volume based on actual shipments January through September 1983 as supplied by the Maxwell Report will be 585,500,000,000 cigarettes, or a minus 7.3% comparing 1983 to 1982.

In 1982 over 17% of 7-Eleven's store business was cigarettes. If cigarettes continue to decline, C-type stores will have to find other product categories to replace these sales. Fortunately the demographics of the typical convenience store customer indicate they will be the last people to give up cigarettes. For those of you who operate in upscale areas, I think you will see considerable decreases in cigarette sales and margins. Margins are always skinnier in declining markets. I'll keep watch over this area for you.

Question of the Year

Note this information taken from this year's *Dollars Per Day Survey:*

	Average Daily Sales	$DPD Profit
7-Eleven	$1,532	$59.34
Sunshine Jr.	570	18.14
Difference	$ 962	$41.20

At a 28% margin on store sales, 7-Eleven would develop $429 margin dollars per day from their average store. Sunshine Jr. would develop only $160 of margin per store per day. The difference is $269 margin dollars per store per day. If you subtract the difference in their daily profits of $41, you still have a $228 margin dollar per store per day difference. My questions:

1. Are 7-Eleven and Sunshine Jr. in the same business?
2. How does Sunshine Jr. do it?
3. What does 7-Eleven do with the $228 margin dollars and are they well spent?
4. Has 7-Eleven broken the value barrier?

A Plea: I really like the Jaebs, and I like to go to South Florida in February to present them with the annual winner's trophy for the *Dollars Per Day Survey*. I just don't want to go to Tampa every year. Will some other operator of small food stores please set and achieve a profit goal of over $100.00 per store per day? That's what it's going to take to beat Bob Jaeb. If not, I may have to start including the Japanese in the survey. By doing so, I may be creating another problem. So far they have beaten all of the American companies every year.

Special Commendation:

I'd like to commend Dillard Munford and the management of Majik Markets. They made $15.20 per store per day in pretax dollars last year. That's the best they've done in the 13 years of the survey. They also have positive sales growth of 10% on a constant dollar basis. It's a lesson for all of us on how long it takes to turn big ships around.

ABOUT THE AUTHOR

The *Dollars per Day Survey* is written and published by John F. Roscoe. He has operated small food stores since 1957 when he opened his first store in Denver, Colorado, and he now owns and operates a chain of stores in California, Idaho, and Colorado. John Roscoe was the first to combine the sale of gasoline with a convenience food store and was instrumental in the acceptance of this method of gasoline dispensing.

The survey has been published every year since 1971 and is generally regarded as the most accurate index of the financial results of U.S. convenience stores. John Roscoe collaborates with Ned and Sally Roscoe and Lise Vernasco in publishing the annual *What Do the 25 Largest Oil Companies Have to Say About Gasoline Marketing?*

WHAT DO THE 25 LARGEST OIL COMPANIES HAVE TO SAY ABOUT GASOLINE MARKETING?

The 1983 Gasoline Marketing Survey Helps You Tell The Marketers From The Monkeys.

Priority 1: Hear the Alarm.

There's trouble in the gasoline marketing business. Consumption continues to decline. Margins are very thin. There's talk of more pullbacks and more mergers; of debit cards and discounts-for-cash. There are too many marketers and not enough gallons.

Priority 2: Listen to the Big Guys.

The twenty-five largest oil companies may not know the best way to sell gasoline, but they sure do have an effect upon everyone else in the market. The **Gasoline Marketing Survey** reproduces exactly what the 25 largest oil companies have said about gasoline marketing in 1982 and the first two quarters of 1983. What they say gives you clues as to what they think; how they think; and if they think. Some do, some don't. Find out which do in the **Gasoline Marketing Survey.**

Priority 3: Know What You're Talking About.

How much is consumption declining? Based upon the mileage-per-gallon average for new cars, the highway consumption of gasoline could drop by 50 billion gallons a year in the next 15 years— with no change in driving habits. In 1982, the United States used only 98.5 billion gallons for highway travel.

Who has the refining capacity and how much is excess capacity? How many stations do the top 25 oil companies have? How much of their business is US gasoline sales? The answers to these questions and more are found in the **Gasoline Marketing Survey.**

Finally: Figure It Out.

Gasoline marketing in the United States will be a case of survival of the fittest.

The **Gasoline Marketing Survey** reports the statements of the companies and the statistics that describe the market. The **G.M.S.** also analyzes the situation to help you understand what is going on in gasoline marketing.

Lundberg Contributes

Dan Lundberg has written an article especially for the **Gasoline Marketing Survey** on how he thinks gasoline will be marketed in the future. Dan is the publisher of **The Lundberg Letter.** He is a noted expert in the energy business.

What Makes Sense?

The **Gasoline Marketing Survey** tells you what makes sense. That's the title of the lead article by John Roscoe. John was the first to use remote controlled gasoline pumps. He is also the author of the annual **Dollars Per Day Survey of the Small Food Store Industry.**

One article examines the effect that improved fuel efficiency will have upon the market. Another reasons out the qualities of good gasoline marketing. The **G.M.S.** also tells the story of gasoline sales at small food stores. All in all, the **Gasoline Marketing Survey** is a comprehensive study of the industry.

How to Order

To order, just fill out the form below and send it with a check for $50.00 (US dollars only, please) to **Gasoline Marketing Survey,** P.O. Box 886, Benicia, California 94510. Or, call (707) 745-6691. We will ship your order promptly. Additional copies are $20.00 each.

SEND TO: **Gasoline Marketing Survey, P.O. Box 886, Benicia, California 94510.**

Please send _____ **copies of the Gasoline Marketing Survey. Enclosed find my check for $** _____ **(California residents add 6% sales tax.)**

Name _____

Company _____

Street Address _____

City _____ **State** _____ **Zip** _____

or phone (707) 745-6691 for prompt response.

CHESTER CADIEUX'S

Famous Shrinkage Control Program

STORES DON'T COME UP SHORT— PEOPLE DO

AVAILABLE IN A STEP-BY-STEP SELF-TEACHING FORMAT

Merchandise is money, and in a small food store, there can be a lot of it. You need to control that merchandise. You need to make sure that *you* get the money for it.

A STRONG OFFENSE

Chester Cadieux's course on shrinkage control will help you stop shortage losses. It will teach your employees what causes shortages; who causes shortages; and where to look for shortage problems. Most importantly, Chester Cadieux's program teaches your employees why shortage control is important-both to your company and to the employees themselves.

AN EASY WAY TO DO A TOUGH JOB

This easy-to-read, easy-to-learn course will save you untold losses. Inventory shortages run from 1% of sales in operations with good controls to over 5% in those without controls. Figure out how much that means to you.

LEARN FROM EXPERIENCE

Chester Cadieux's program consists of a cassette tape and a learning guide. It works well with both individuals and groups. Chester's entertaining and seasoned viewpoint will inspire good employees to help you control shortages. Bad employees will hear it and know that they won't last long or get very much out of your organization.

CUT YOUR LOSSES!

No one can afford inventory shortages. You can't afford to neglect this proven tool in the prevention of inventory shortages.

HOW TO ORDER

Send your order to *Dollars Per Day Survey*, P.O. Box 886, Benicia, California 94510. The first copy is $25.00. Additional copies are $5.00 each. For rapid delivery, place your order at (707) 745-6691.

Chester Cadieux's Shrinkage Control Program

Send to: Dollars per Day Survey
P.O. Box 886
Benicia, California 94510

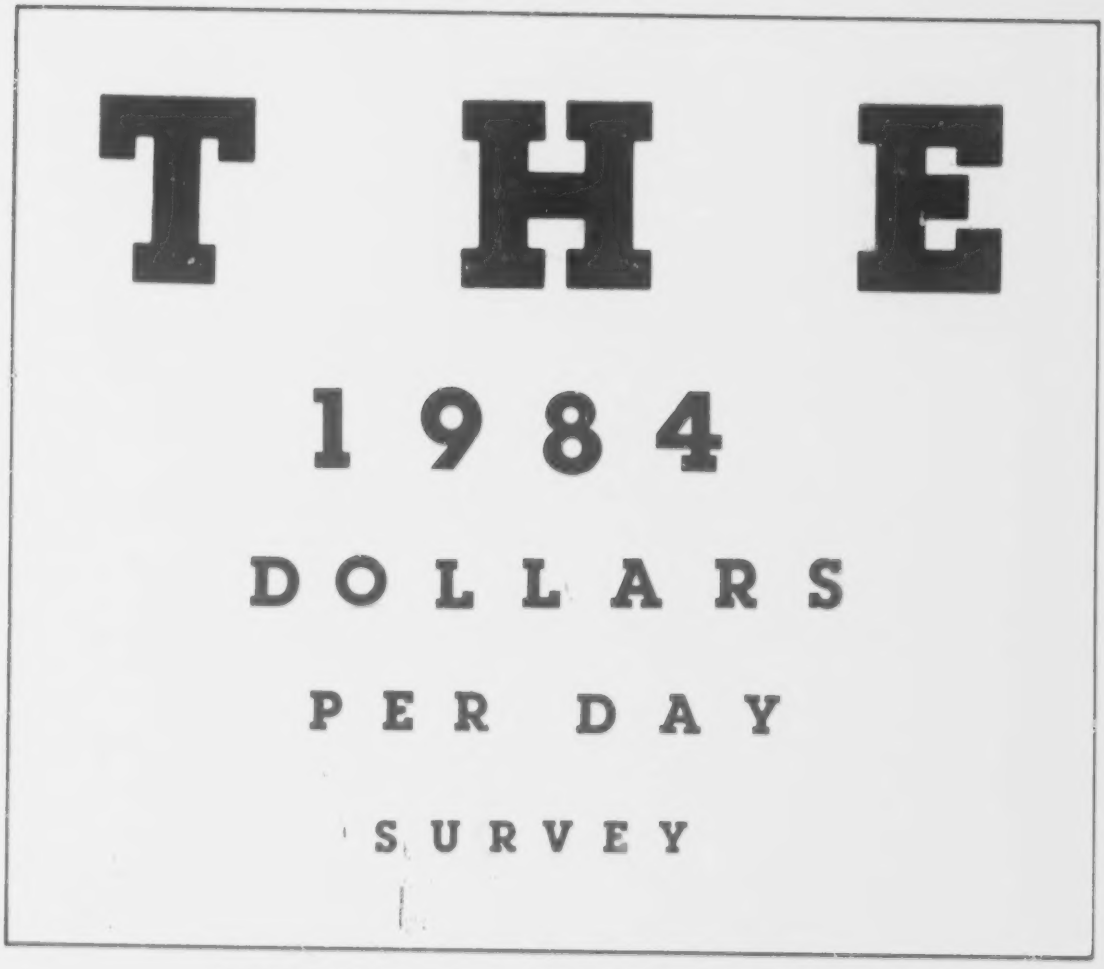
Enclosed is my check for $ _____. Please ship _____ copies of Chester Cadieux's programmed learning program. I have enclosed $25.00 US for the first copy and $1.00 US for each additional copy.

Name _____

Company _____

Street Address _____

City, State, Zip _____



THE ONLY 20/20 VISION IN THE INDUSTRY

How to Order:

Just fill out the coupon below and mail it, with a check for $60.00US (additional copies are $20.00US each) to DOLLARS PER DAY SURVEY, P.O. BOX 886, BENICIA, CALIFORNIA 94510. If you are in a hurry, call (707) 745-6691.

SEND TO: Dollars Per Day Survey, P.O. Box 886, Benicia, California 94510.

Please send copies of the Dollars Per Day Survey. Enclosed find my check for $ (California residents add 6% sales tax.)

Name

Company

Street Address

City State Zip

or phone (707) 745-6691 for prompt response.